Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

QUARTERLY JOURNAL

Volume 8
Number 1

Office of the Comptroller of the Currency
March 1989

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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller who is appointed by the President, with the advice and consent of the Senate, for a 5-year term.

The OCC regulates national banks by its power to:

- Approve or deny applications for new charters, branches, capital or other changes in corporate or banking structure;
- Examine the banks;
- Take supervisory actions against banks which do not conform to laws and regulations or which otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing banking practices and issuance of cease and desist orders; and
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure.

The OCC divides the United States into six geographical districts, with each headed by a Deputy Comptroller.

The Office is funded through assessments on the assets of national banks.

The Comptroller

Robert Logan Clarke became the 26th Comptroller of the Currency on December 10, 1985.

By statute, the Comptroller serves a concurrent term as a Director of the Federal Deposit Insurance Corporation and as a member of the Federal Financial Institutions Examination Council.

An attorney, Mr. Clarke was formerly with the law firm of Bracewell & Patterson in Houston, Texas. He joined the firm in 1968 and founded its Banking Section in 1972.

Mr. Clarke received a B.A. degree from Rice University in 1963 and an LL.B. degree from Harvard University Law School in 1966. He served as a Captain in the United States Army from 1966 to 1968.

The *Quarterly Journal* is the journal of record for the most significant actions and policies of the Office of the Comptroller of the Currency. It is published four times a year in March, June, September and December. The *Quarterly Journal* includes policy statements, decisions on banking structure, selected speeches and testimony, material released in the interpretive letter series, statistical data and other information of interest to the administration of national banks. Suggestions, comments or questions may be sent to Tibby Ford, Editor, Communications Division, Comptroller of the Currency, Washington, DC 20219. Subscriptions are available for $60 a year by writing to Publications—QJ, Comptroller of the Currency, Washington, DC 20219.

Quarterly Journal

Office of the Comptroller of the Currency

Robert L. Clarke

Comptroller of the Currency

The Administrator of National Banks

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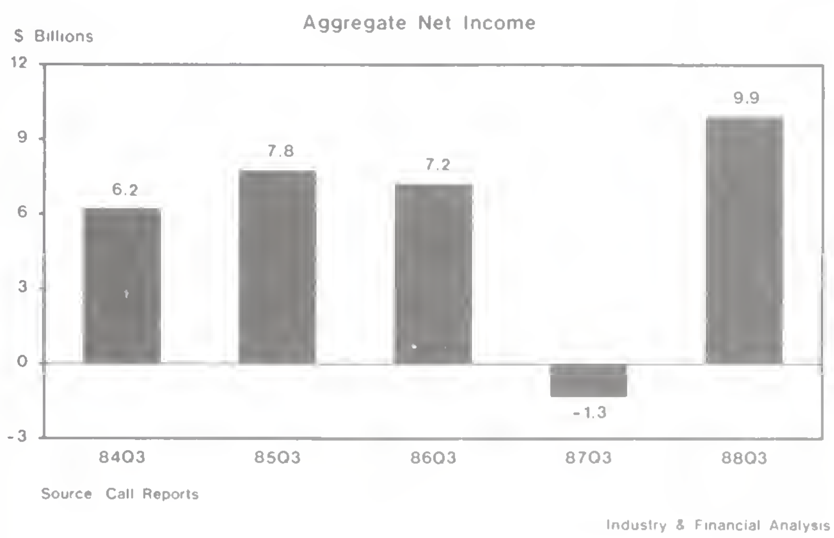
Operations of National Banks

Earnings Recovery Continues Led by Largest National Banks

Through the third quarter of this year, national banks have earned $9.93 billion. This represents an $11.26 billion increase over their aggregate net income during the first three quarters of 1987, when they suffered losses of $1.33 billion. Last year's results were depressed by large loan loss provisions made by many money center and large regional banks against their exposures to developing countries. Aggregate net income of national banks has risen in 1988 because further large provisions against LDC loans have not been necessary.

NATIONAL BANK PROFITS INCREASE SHARPLY



The turnaround in aggregate profits was concentrated in the largest national banks, those with assets in excess of $10 billion. Those banks posted profits of $5.19 billion in the first three quarters of 1988, more than $10 billion higher than they recorded in the first three quarters of 1987. While lower loan loss provisions at those banks were responsible for much of the increase in their income, special one-time gains, such as tax-loss carry forward credits and profits from the sale of assets, also contributed to the surge in earnings.

Reported income of those banks should remain high next quarter as well, assuming no further provisions against developing country debt are made. After completing an $82 billion restructuring package in September, Brazil recently became current on the repayment of its foreign bank debt for the first time since February 1987. As a result, Brazil's creditors, including many of the largest national banks, will be able to recognize 2 years of Brazilian interest payments in the fourth quarter, which will swell their reported earnings. The rise in income will be dampened, however, by the recent placement of $4.5 billion of loans to Argentina on nonaccrual status.

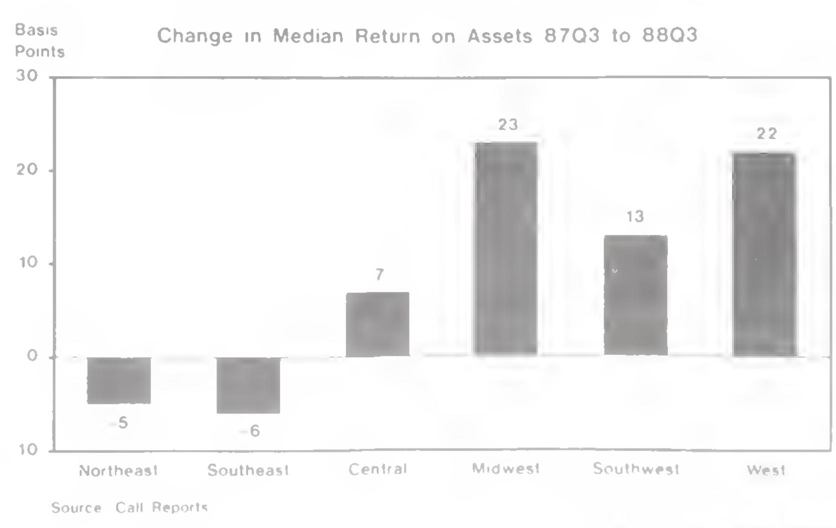
LARGEST NATIONAL BANKS ENJOY BIG EARNINGS TURNAROUND

Apart from the higher profits at large banks, results in the first three quarters of 1988 were mixed. At $4.86 billion, earnings of over 4,300 national banks with less than $10 billion in assets increased just $0.73 billion over the levels a year earlier. Aggregate earnings of the over 3,900 banks with less than $1 billion in assets were actually $0.07 billion less than they were in the first three quarters of 1987.

Median ROA Increases

Although the median ROA for all national banks improved 10 basis points, from 0.84 percent for the first three quarters of 1987 to 0.94 percent for the same period this year, the change in median ROA varied considerably across OCC Districts and by bank size.

NOT ALL DISTRICTS EXPERIENCE IMPROVED PROFITABILITY



The median level of ROA for the first three quarters of 1988 was above 1.00 percent in all but the Southwestern and Western Districts, although the median ROA increased in both those districts. National banks in the Midwestern District recorded the largest rise in median ROA, 23 basis points.

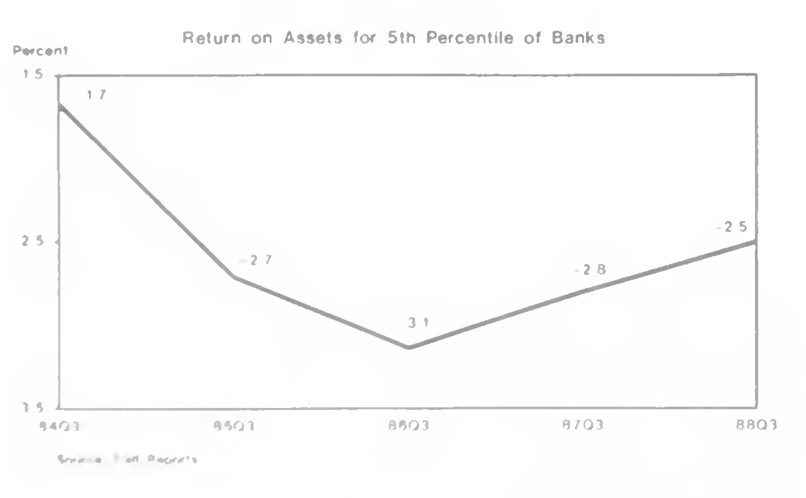
While the median ROA remained highest in the Northeastern and Southeastern Districts, the median ROA in those two districts declined by 5 and 6 basis points respectively. The decline of median ROA in the Northeastern District indicates that most national banks in this district did not share the surge in earnings money-center banks enjoyed.

The median ROA increased for all size classes of national banks, but the biggest increase was registered by the largest national banks. Median ROA improved 100 basis points for national banks with assets greater than $10 billion, 18 basis points for national banks with assets of $1 to $10 billion, and 12 basis points for national banks with less than $1 billion of assets.

Profitability of the Weakest Performers Improves

Significantly, there has been improvement in the profitability of the weakest performers among national banks, although their performance remains well below levels registered prior to 1986. The ROA of the national banks in the 5th percentile improved from −2.80 percent in the first three quarters of 1987 to −2.50 percent in 1988. The proportion of all national banks that lost money through the third quarter of this year fell to 16 percent, compared to almost 21 percent at this point in 1987. Both the elimination of weak banks through failure and improved performance by surviving banks have contributed to the turnaround in these indicators. There does remain substantial room for further improvement.

LOSSES OF WEAKEST PERFORMERS ARE REDUCED

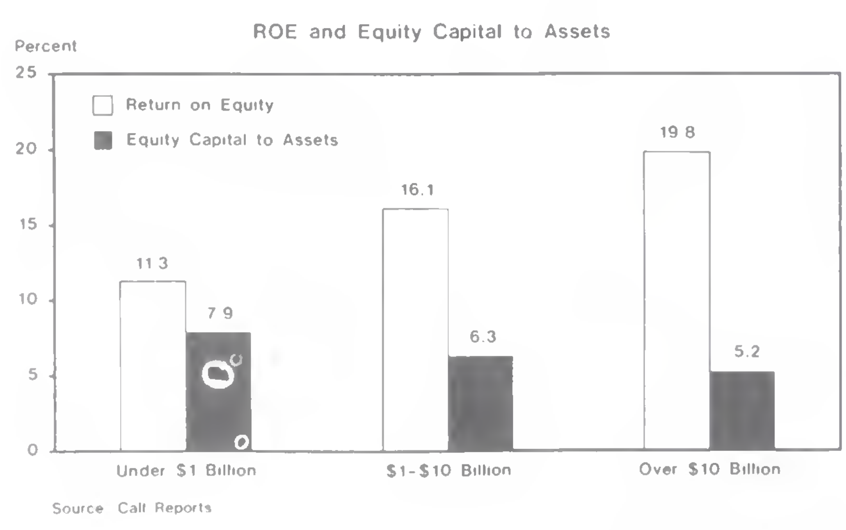


Recent Events Suggest Reexamination of Profitability Measures

While both ROA and ROE measure bank profitability, bank regulators have traditionally viewed the former to be more the reliable measure of relative bank performance. Wide variations in the level of equity to assets among different banks were viewed as distorting comparisons of ROE. Recent events, however, point to the need to reevaluate the usefulness of both ROA and ROE. The growth in off-balance-sheet activity at some banks has created the possibility of substantial variation in ROA for banks of equal or similar asset size, calling into question the comparability of the ROA of different banks. In addition, the recent decline in the variability, across banks, of equity-to-assets ratios implies that the usefulness of ROE as an indicator of profitability may be increasing.

Nevertheless, significant differences in ratios of equity to assets among some banks still contribute to substantial variations in ROE. Specifically, for the first three quarters of 1988, the median ROA of the largest national banks—those with assets of $10 billion or more—was equal to the median ROA of the smallest national banks—those with assets of less than $1 billion. However, the median ROE of the largest national banks was 19.81 percent, compared to a median ROE of 11.26 percent for the smallest national banks. That difference reflected differences in equity capitalization between the largest banks and the smallest banks; the median ratio of equity capital to assets at the largest banks was approximately 270 basis points below that of the smallest ones.

ROE AND EQUITY VARY BY BANK SIZE



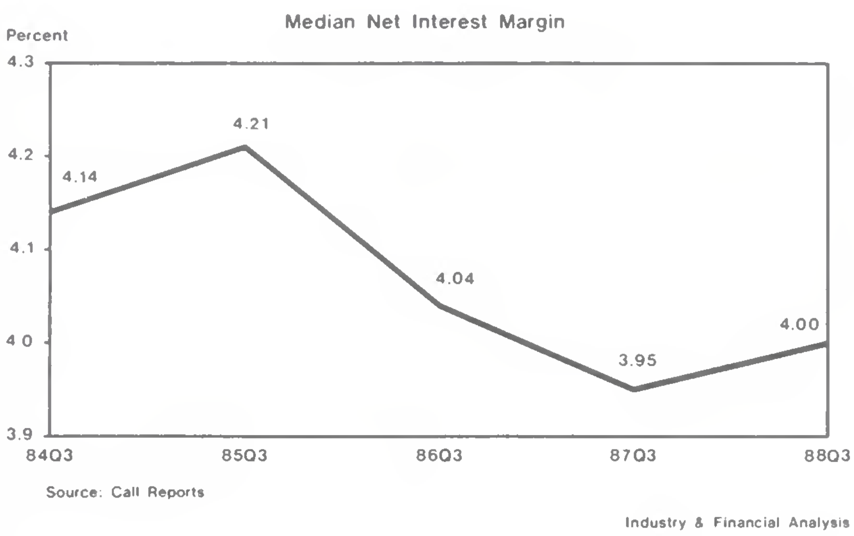
At present, therefore, neither ROA or ROE offer a complete picture of bank profitability. Comparisons on the basis of ROA are distorted by differences in off-balance-sheet activity among banks. Comparisons of ROE are affected by differences in capitalization rates. Because both measures offer unique information and neither is

complete, future editions of this report will include analyses of both measures of profitability.

Net Interest Margin Widens Slightly

At the end of the third quarter, the median net interest margin of national banks was five basis points larger than that at the same time last year. Between the third quarter of 1987 and the third quarter of 1988, the median yield on assets for all national banks increased 18 basis points compared to a 17 basis point rise in the median cost of funds.[1] At 4.00 percent, however, the median net interest margin was below the levels reached in 1984 to 1986.

NET INTEREST MARGIN IS SLIGHTLY HIGHER



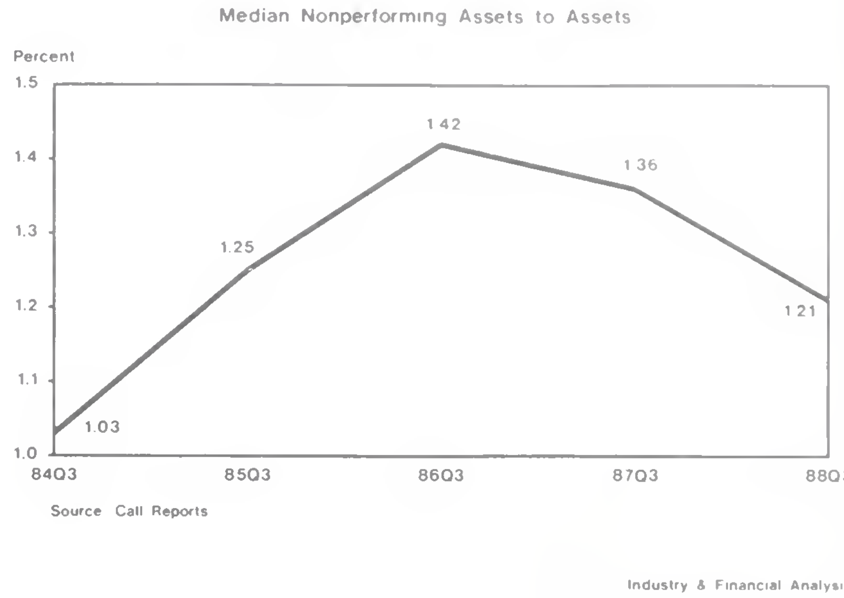
Credit Quality Continues to Improve

Credit quality at national banks showed continued improvement through the third quarter of 1988. The median ratio of net loan losses to loans has declined 12 basis points from its level of a year earlier. At 1.21 percent for the third quarter of 1988, the median ratio of non-performing assets to assets now stands at its lowest level since the third quarter of 1984.

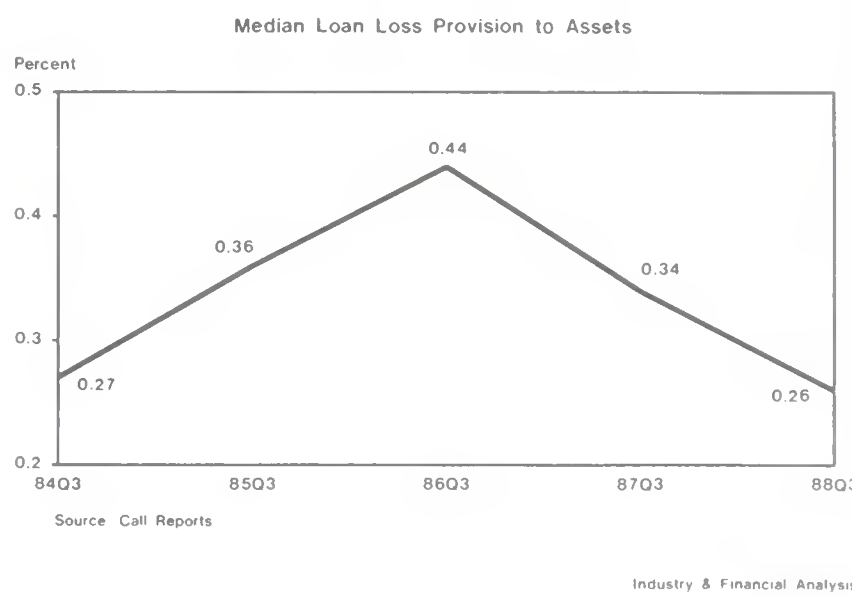
As non-performing assets have declined, national banks have also lowered their quarterly provisions for future loan losses. Through the third quarter, the median ratio of loan loss provision to assets was 0.26 percent, an eight basis point reduction from the 1987 level. This is the lowest this ratio has been since 1984.

[1]Net interest margin is calculated as the difference between yield on assets and cost of funds. Because medians are not additive, median net interest margin does not precisely equal the difference between median yield on assets and median cost of funds.

NONPERFORMING ASSETS CONTINUE TO FALL



LOAN LOSS PROVISIONS ARE AT THEIR LOWEST LEVEL IN FIVE YEARS

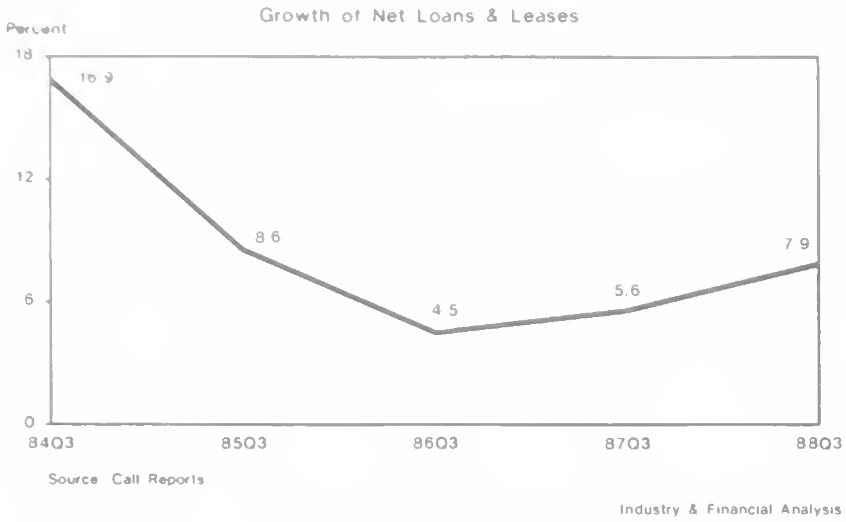


Asset and Loan Growth Rebound But Remain Moderate

Both asset growth and loan growth rebounded strongly between the third quarters of 1987 and 1988; the median growth rates in 1988 were 6.04 percent and 7.87 percent respectively. Median loan growth increased by over 2 percentage points, the second consecutive year of increased growth. Loan growth, however, remains below historical standards.

The median rate of asset growth also increased by more than 2 percentage points, but remains below its level on the third quarter of 1986. Asset growth, like loan growth, remains moderate by historical standards.

LOAN GROWTH REBOUNDS FOR SECOND YEAR BUT REMAINS MODERATE

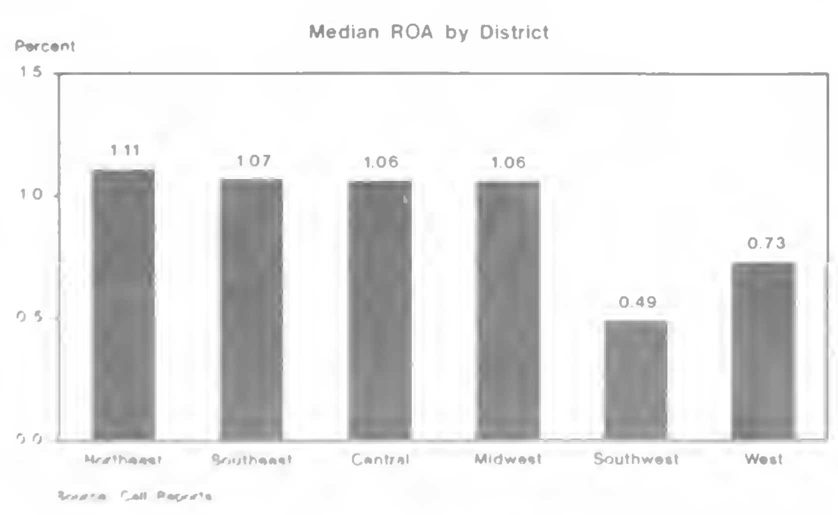


Troubled Times Continue for Southwest Banks

The Southwestern District was the only district for which national banks reported aggregate losses through the first three quarters of 1988. During this period, national banks in the Southwestern District lost $1.58 billion, nearly twice as much as they lost during the same period in 1987. That figure, moreover, does not even include the more than $2 billion in losses recorded by First Republic Bank in Dallas before it failed.

Through the third quarter of this year, the median ROA for national banks in the Southwestern District was 0.49 percent. While this was 13 basis points highter than in the third quarter of 1987, it is only about half of the median ROA for national banks in the U.S. as a whole. The severity of losses at several large national banks in Texas is the primary reason why the aggregate losses of national banks in the Southwestern District increased sharply even though the median ROA improved.

RETURN ON ASSETS FOR SOUTHWESTERN BANKS REMAINS DEPRESSED



Nearly twice as many national banks failed in the Southwestern District during the first three quarters of 1988 than in the first three quarters of 1987. As indicated below, this increase of national bank failures in the Southwestern District occurred while the number of failures decreased in every other OCC District (except the Southeastern District, which had no failures during the first three quarters of either year).

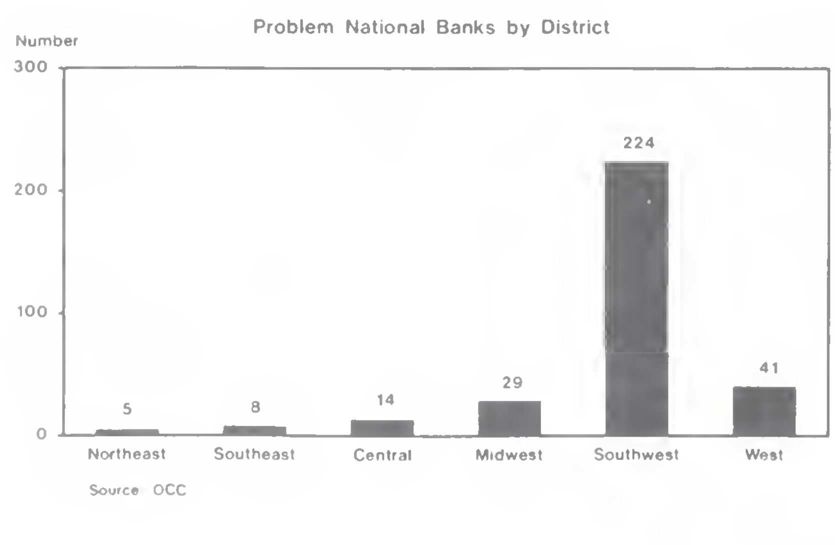
Number of Failed National Banks by OCC District through the Third Quarter

OCC District	1987	1988
Northeastern	2	0
Southeastern	0	0
Central	1	0
Midwestern	4	1
Southwestern	33	64
Western	9	3
Total	49	68

Source: OCC

The number of problem national banks, those with CAMEL ratings of 4 or 5, also rose in the Southwestern District, from 180 at the end of the third quarter of 1987 to 224 at the end of third quarter of this year. Outside of the Southwestern District, the number of problem national banks has declined by 34 banks since the third quarter of last year; no other district had more than 41 problem national banks through the end of the third quarter.

PROBLEM BANKS ARE CONCENTRATED IN THE SOUTHWEST



Economic Conditions in Texas Have Improved Slightly

Although economic conditions remain depressed in the Southwest, especially Texas, some improvement has been evident in 1988. For instance, total employment in Texas

has increased for four consecutive quarters, pushing the unemployment rate down 1.7 percentage points since the third quarter of 1987. Additionally, there are signs that the deterioration of Texas real estate may have slowed. Third quarter office vacancy rates were lower than a year earlier in Austin and Houston, and were only slightly higher in Dallas. Continued improvement in the Texas economy, especially its real estate markets, will facilitate an improvement in the condition of Texas banks.

Summary

National banks have registered a significant increase in income during the first three quarters of this year compared to a year earlier. The turnaround is concentrated in the largest national banks, which last year took special loan loss provisions against their loans to developing countries. The absence of major provisions in 1988 has increased their reported profits. Apart from the improvement at the largest national banks the results have been mixed, both across size categories and districts. For example, although median ROA has increased among all size banks, aggregate net income has declined among banks with less than $1 billion in assets. Similarly, third quarter median ROA was highest in the Northeastern and Southeastern district, but in both districts median ROA was lower than it was in 1987. In the Southwestern District, on the other hand, median ROA was less than 0.50 percent through the third quarter of this year, but that represented an improvement compared to 1987. These mixed signals suggest that despite the record level of third quarter earnings at national banks, earnings and credit quality problems remain.

Richard S. Nisenson
Financial Economist
Industry & Financial Analysis Division

Summary statistics for national banks
(Data through Third Quarter 1988)

						9/30/88			
	9/30/84	9/30/85	9/30/86	9/30/87	9/30/88	Over $10B	$1B-$10B	$0-$1B	New Banks[1]
Banking Aggregates									
Number of Banks	4,847	4,941	4,892	4,675	4,369	28	185	3,930	226
Total Assets ($ Billion)	1,441	1,563	1,664	1,725	1,824	787	608	390	39
Net Income ($ Million)	6,231	7,766	7,228	−1,330	9,929	5,189	2,982	1,882	−124
Standbys & Commitments ($ Billion)	422	466	492	506	541	357	147	27	10
Percent of Banks with Losses	13.37	17.57	21.91	20.90	16.04	3.57	7.03	14.66	49.12
Number of Failed National Banks	15	23	36	49	68	1	1	64	0
Number of Problem National Banks[2]	163	254	301	314	325				
Performance Measures (Medians)									
Profitability (%)									
Return on Equity	12.86	12.33	10.59	10.09	11.18	19.81	16.08	11.26	0.00
Return on Assets	1.04	0.99	0.87	0.84	0.94	0.96	1.05	0.96	0.00
Yield on Assets	10.94	10.39	9.48	8.68	8.86	8.51	8.69	8.87	8.92
Cost of Funding Assets	6.77	6.16	5.43	4.72	4.89	5.45	4.95	4.89	4.51
Net Interest Income to Assets	4.14	4.21	4.04	3.95	4.00	3.39	3.84	4.01	4.13
Loss Provision to Assets	0.27	0.36	0.44	0.34	0.26	0.36	0.41	0.24	0.36
Noninterest Income to Assets	0.65	0.68	0.70	0.70	0.71	1.36	1.33	0.68	0.74
Noninterest Expense to Assets	3.20	3.32	3.35	3.31	3.31	3.16	3.50	3.25	4.69
Net Operating Income to Assets	1.04	0.93	0.71	0.77	0.90	0.94	1.04	0.92	0.00
Asset Quality (%)									
Nonperforming Assets to Assets[3]	1.03	1.25	1.42	1.36	1.21	2.41	1.06	1.27	0.10
Loss Reserve to Loans	1.04	1.15	1.32	1.43	1.45	2.63	1.41	1.47	0.99
Net Loss to Loans	0.23	0.36	0.51	0.42	0.30	0.68	0.52	0.30	0.05
Funding & Liquidity (%)									
Net Loans & Leases to Assets	54.46	54.80	53.54	54.35	54.94	62.69	65.21	54.15	56.28
Wholesale Funds to Deposits	10.53	10.65	10.57	10.28	11.07	35.52	16.28	10.39	21.56
Capital (%)									
Total Capital to Assets	8.83	8.88	8.78	8.84	8.81	7.62	7.57	8.85	11.03
Primary Capital to Assets	8.66	8.73	8.65	8.69	8.68	7.17	7.35	8.73	10.96
Equity Capital to Assets	8.08	8.05	7.91	7.89	7.85	5.24	6.30	7.91	10.47
Growth Rates (%)									
Assets	8.36	8.09	6.30	3.87	6.04	7.75	9.92	5.48	31.16
Equity Capital	8.32	7.70	6.13	5.49	6.17	8.92	9.79	6.16	1.02
Net Loans & Leases	16.87	8.56	4.53	5.59	7.87	8.78	12.65	7.06	36.84

[1]New banks are banks that have been in operation less than 3 years.
[2]Problem banks have composite CAMEL ratings of 4 or 5.
[3]Nonperforming assets are loans past-due 90 days or more, loans in nonaccrual status, and OREO.
Industry & Financial Analysis

Summary statistics for national banks by district
(Data through Third Quarter 1988)

	Northeastern	Southeastern	Central	Midwestern	Southwestern	Western	U S
Banking Aggregates							
Number of Banks	488	530	884	690	1,222	555	4,369
Total Assets ($ Billion)	649	272	296	115	182	309	1,824
Net Income ($ Million)	4,299	1,969	2,309	914	-1,585	2,022	9,929
Standbys & Commitments ($ Billion)	220	51	86	21	34	130	541
Percent of Banks with Losses	6.76	12.64	2.83	5.07	53.88	22.88	16.04
Number of Failed National Banks	0	0	0	1	64	3	68
Number of Problem National Banks[1]	5	6	15	34	221	44	325
Performance Measures (Medians)							
Profitability (%)							
Return on Equity	14.16	12.47	12.63	12.58	6.35	8.92	11.18
Return on Assets	1.11	1.07	1.06	1.06	0.49	0.73	0.94
Yield on Assets	9.08	9.08	8.74	8.84	8.77	8.98	8.86
Cost of Funding Assets	4.98	4.92	4.94	4.93	5.00	4.34	4.89
Net Interest Income to Assets	4.21	4.13	3.84	3.92	3.82	4.65	4.00
Loss Provision to Assets	0.18	0.23	0.18	0.18	0.54	0.37	0.26
Noninterest Income to Assets	0.53	0.75	0.54	0.60	0.83	1.01	0.71
Noninterest Expense to Assets	3.12	3.46	2.87	2.91	3.56	4.50	3.31
Net Operating Income to Assets	1.09	1.03	1.04	1.04	0.41	0.66	0.90
Asset Quality (%)							
Nonperforming Assets to Assets[2]	0.72	0.60	0.81	1.10	2.81	1.84	1.21
Loss Reserve to Loans	1.01	1.15	1.24	1.72	1.98	1.62	1.45
Net Loss to Loans	0.09	0.21	0.17	0.20	0.99	0.47	0.30
Funding & Liquidity (%)							
Net Loans & Leases to Assets	64.46	58.68	55.83	49.47	51.49	56.10	54.94
Wholesale Funds to Deposits	8.84	12.51	7.71	6.80	18.75	11.69	11.07
Capital (%)							
Total Capital to Assets	8.52	9.10	8.80	9.23	8.62	8.63	8.81
Primary Capital to Assets	8.42	9.00	8.72	9.12	8.48	8.47	8.68
Equity Capital to Assets	7.71	8.32	8.05	8.28	7.54	7.42	7.85
Growth Rates (%)							
Assets	10.50	8.47	5.90	3.95	4.12	7.49	6.04
Equity Capital	9.97	8.03	7.00	6.84	1.21	6.14	6.17
Net Loans & Leases	15.47	12.27	9.51	8.10	0.34	4.56	7.87

[1]Problem banks have composite CAMEL ratings of 4 or 5.
[2]Nonperforming assets are loans past-due 90 days or more, loans in nonaccrual status, and OREO.
Industry & Financial Analysis

Summary statistics for insured commercial banks
(Data through Second Quarter 1988)

	9/30/84	9/30/85	9/30/86	9/30/87	9/30/88	9/30/88 Over $10B	9/30/88 $1B-$10B	9/30/88 $0-$1B	9/30/88 New Banks[1]
Banking Aggregates									
Number of Banks	14,371	14,306	14 119	13,660	13,031	35	313	12,046	637
Total Assets ($ Billion)	2,403	2,608	2,774	2,902	3,033	1,094	964	919	56
Net Income ($ Million)	11,938	14,372	13,769	200	18,357	7,781	5,411	5,259	-95
Standbys & Commitments ($ Billion)	623	691	734	762	804	499	233	60	12
Percent of Banks with Losses	10.94	13.80	17 66	16.86	13.01	2 86	6.71	11.22	50.39
Number of Failed Commercial Banks	56	85	103	135	166	1	3	159	3
Performance Measures (Medians)									
Profitability (%)									
Return on Equity	13.18	13.18	11.49	10 76	11.35	20.52	16.02	11.54	-0.09
Return on Assets	1.11	1.10	0.97	0.92	0.99	0.97	1.05	1.01	-0.02
Yield on Assets	11 06	10 57	9.61	8 77	8.91	8.23	8.75	8.91	8.88
Cost of Funding Assets	6.87	6.28	5.51	4.76	4.91	5.27	4.99	4.91	4.71
Net Interest Income to Assets	4.20	4 29	4.10	4.01	4.01	2.95	3.83	4.02	3.89
Loss Provision to Assets	0.22	0.32	0.38	0 31	0.23	0.35	0.34	0.22	0.37
Noninterest Income to Assets	0.62	0.63	0.63	0.64	0.64	1.55	1.23	0.63	0.51
Noninterest Expense to Assets	3.11	3.18	3.21	3.18	3.18	3.08	3.42	3.14	4.16
Net Operating Income to Assets	1.11	1.03	0.83	0.86	0.95	0.94	1.03	0.97	-0.03
Asset Quality (%)									
Nonperforming Assets to Assets[2]	1.14	1.37	1.50	1.34	1.16	2.46	1.01	1.21	0.07
Loss Reserve to Loans	0 99	1 08	1.25	1 35	1 37	3.31	1.36	1.39	0.96
Net Loss to Loans	0.20	0.35	0.47	0 36	0.25	0.71	0.39	0.25	0.02
Funding & Liquidity (%)									
Net Loans & Leases to Assets	54.31	54.27	52 63	53 24	54 03	61 22	65 44	53.53	56.34
Wholesale Funds to Deposits	9.26	9.31	9.08	9.06	9.85	39 47	16 60	9.36	21.22
Capital (%)									
Total Capital to Assets	9.04	9.06	8 98	9 07	9 09	7 89	7.54	9.09	12.37
Primary Capital to Assets	8.90	8.94	8 86	8.95	8.99	7.42	7.30	8.99	12.22
Equity Capital to Assets	8.34	8.30	8.17	8.18	8.20	5.12	6.30	8.21	11.46
Growth Rates (%)									
Assets	8.18	7.47	6 06	3.92	5.40	4.63	10.06	5.10	42.86
Equity Capital	8.25	8.17	6.41	5.68	6.26	9.38	10.16	6.26	1.46
Net Loans & Leases	14.83	7.20	3.24	5.38	7.89	6.93	12.41	7.37	47.78

[1]New banks are banks that have been in operation less than 3 years.
[2]Nonperforming assets are loans past-due 90 days or more, loans in nonaccrual status, and OREO.
Industry & Financial Analysis

Summary statistics for insured commercial banks by district
(Data through Third Quarter 1988)

	Northeastern	Southeastern	Central	Midwestern	Southwestern	Western	U S
Banking Aggregates							
Number of Banks	1,038	1,919	2,933	3,116	2,630	1,395	13,031
Total Assets ($ Billion)	1,182	434	493	206	261	457	3,033
Net Income ($ Million)	8,472	3,111	3,862	1,603	-1,487	2,796	18,357
Standbys & Commitments ($ Billion)	397	69	110	26	37	166	804
Percent of Banks with Losses	9.44	11.67	3.95	6.93	29.05	19 86	13 01
Number of Failed Commercial Banks	2	2	3	23	120	16	166
Performance Measures (Medians)							
Profitability (%)							
Return on Equity	13.65	12.14	12.22	11.87	7.49	9.79	11.35
Return on Assets	1.07	1.08	1.06	1.06	0.62	0.83	0 99
Yield on Assets	9.15	9.21	8.81	8.84	8.80	9.06	8.91
Cost of Funding Assets	5.03	5.00	4.97	4.92	4.97	4.36	4.91
Net Interest Income to Assets	4.17	4.18	3.86	3.94	3.88	4.73	4.01
Loss Provision to Assets	0.18	0.25	0.17	0.17	0.48	0.34	0.23
Noninterest Income to Assets	0.51	0.75	0.50	0.53	0.81	1.01	0.64
Noninterest Expense to Assets	3.14	3.41	2.86	2.83	3.50	4.52	3.18
Net Operating Income to Assets	1.04	1.05	1.03	1.04	0.56	0.75	0.95
Asset Quality (%)							
Nonperforming Assets to Assets[1]	0.68	0.73	0.83	1.18	2.74	1.98	1.16
Loss Reserve to Loans	0.99	1.10	1.20	1.73	1.89	1.44	1.37
Net Loss to Loans	0.07	0.20	0.14	0.19	0.95	0.41	0.25
Funding & Liquidity (%)							
Net Loans & Leases to Assets	65.64	58.09	54.82	48.31	50.85	57.25	54.03
Wholesale Funds to Deposits	9.70	12.83	7.29	5.88	17.00	11.63	9.85
Capital (%)							
Total Capital to Assets	8.71	9.53	8.96	9.53	8.79	8.68	9.09
Primary Capital to Assets	8.58	9.46	8.88	9.41	8.64	8.54	8.99
Equity Capital to Assets	7.83	8.79	8.22	8.56	7.71	7.66	8.20
Growth Rates (%)							
Assets	10.72	8.83	5.72	3.21	3.27	7.33	5.40
Equity Capital	10.03	7.90	6.91	6.09	1.61	6.39	6.26
Net Loans & Leases	16.08	12.55	9.77	6.59	-0.29	5.81	7.89

[1]Nonperforming assets are loans past-due 90 days or more, loans in nonaccrual status, and OREO.
Industry & Financial Analysis

Comptroller's Report of Operations — 1988

Comptroller

The Comptroller supervises over 4,400 federally chartered national banks through a nationwide staff of bank examiners and other professional and support personnel. These banks account for approximately two-thirds of the assets of the commercial banking system. Additionally, the Comptroller supervises the federally licensed branches and agencies of foreign banks.

The Comptroller is advised on policy issues by a policy group consisting of the Senior Deputy Comptroller for Bank Supervision Policy, the Senior Deputy Comptroller for Bank Supervision Operations, the Senior Deputy Comptroller for Corporate and Economic Programs, the Senior Deputy Comptroller for Administration, the Senior Deputy Comptroller for Legislative and Public Affairs, the Chief Counsel, and the Special Adviser to the Comptroller. Besides advising the Comptroller on policy issues, the Policy Group meets informally to discuss possible action on complex, controversial or highly sensitive issues which concern the OCC, its employees, or the banking industry.

The Comptroller's personal staff directs, coordinates, and manages the day-to-day operations of his Office and advises him on policy formulation and management decisions. The staff also develops, monitors and manages projects of special interest to the Comptroller. The Executive Assistant acts on the Comptroller's behalf in carrying out policies and directions and acting as liaison with OCC personnel and other agencies.

Special Adviser to the Comptroller

The Special Adviser to the Comptroller provides the Comptroller with advice and assistance on a wide range of banking matters including the long-range implications of new developments and trends in the banking and financial industry. Among other issues, the Special Adviser is concerned with developing greater coordination between private auditors and bank supervisors, developing better information for bank directors to fulfill their responsibilities, helping problem banks deal successfully with their operating problems and studying alternatives for the banking industry's future role as a provider of financial services. The Special Adviser advises the Comptroller on issues involving FDIC restructuring transactions. The Special Adviser also represents the Comptroller at key business and industry leader meetings.

Senior Deputy Comptroller for Legislative and Public Affairs

The Senior Deputy for Legislative and Public Affairs provides information to and works with those outside the OCC to further the agency's goals. The department is responsible for external relations with banks and banking organizations, Congress, the public, news media, bank customers and nonbank financial industry groups. In addition, it manages the Community Development Corporation program. The department includes the Banking Relations, Communications, Customer and Industry Affairs, and Congressional Liaison divisions.

Senior Deputy Comptroller for Bank Supervision Policy

The Senior Deputy Comptroller for Bank Supervision Policy formulates, implements and monitors supervisory and compliance policies and procedures; conducts analyses of international banking issues; formulates rehabilitative solutions for troubled and failing banks; and coordinates OCC's supervisory systems and information activities. These responsibilities are effected through the offices of the Deputy Comptroller for International Banking and Finance, the Deputy Comptroller for Compliance, the Deputy Comptroller for Special Supervision, the Deputy Comptroller for Supervisory Systems and the Chief National Bank Examiner. The Senior Deputy Comptroller also supervises the OCC's Deputy to the Director of the FDIC, who acts as liaison between the two agencies and provides the Comptroller with information he needs as a Director of the FDIC.

Senior Deputy Comptroller for Bank Supervision Operations

The Senior Deputy Comptroller for Bank Supervision Operations oversees the six district offices and the Multinational Banking Department.

The Senior Deputy formulates and implements a broad range of policies and procedures relating to the effectiveness and efficiency of OCC's district offices and the Multinational Banking Program. Specific responsibilities include directing programs and policies for the supervision and regulation of national banks to promote the continuing existence of a solvent and competitive national banking system. The Senior Deputy Comptroller for Bank Supervision Operations is also responsible for directing the examination, supervision, and analysis of multinational

and regional banks including international banking activities

Senior Deputy Comptroller for Corporate and Economic Programs

The Senior Deputy Comptroller for Corporate and Economic Programs advises the Comptroller on policy matters, develops and implements programs related to corporate activities and strategic planning, and conducts economic research and financial analyses. The Senior Deputy Comptroller is the primary decisionmaker responsible for national bank applications, including charters, mergers, branches, and operating subsidiaries. The Deputy Comptroller for Bank Organization and Structure and the Deputy Comptroller for Economic Analysis and Strategic Planning are supervised by the Senior Deputy Comptroller for Corporate and Economic Programs.

Senior Deputy Comptroller for Administration

The Senior Deputy Comptroller for Administration is responsible for the efficient and effective administrative functioning of the OCC. Through the Deputy Comptroller for Resource Management, the Senior Deputy supervises the Human Resources, Training and Development, Administrative Services, Operations Analysis, and Equal Employment Programs divisions. Through the Deputy Comptroller for Systems and Financial Management, the Senior Deputy supervises the Applications Development, User Support, Systems Support, Financial Management and Financial Review and Systems Management divisions, as well as the MIS Coordination unit. The Management Improvement Division is supervised directly by the Senior Deputy. District administrative functions are provided with staff assistance and guidance by Washington Office units.

Chief Counsel

The Chief Counsel advises the Comptroller on legal matters arising in the administration of laws, rulings and regulations governing national banks. The Chief Counsel directs all legal functions in and for the OCC. Those duties involve writing and interpreting legislation, responding to requests for interpretations of statutes, regulations and rulings, defending the Comptroller's actions challenged in administrative and judicial proceedings, supporting the bank supervisory efforts of the Office and representing the OCC in all legal matters. Those responsibilities are carried out through supervision of the Enforcement and Compliance, Legal Advisory Services, Litigation, Securities and Corporate Practices, and Legislative and Regulatory Analysis divisions, and an organization of counsels in the OCC's six districts.

Bank Supervision Policy

Special Supervision

Special Supervision is responsible for supervising the most critical banks, monitoring failing banks, and coordinating bank closings. Since 1981, the number of banks requiring special supervision has steadily increased. The volume has been relatively stable for the past 2 years, although at historically very high levels.

The division's responsibilities include providing expert guidance and consultation on problem bank issues to district offices and other OCC personnel and researching and developing supervisory tools to deal more effectively with problem banks. One of the division's primary objectives is to deal with each bank individually, employing the enforcement and administrative tools available.

In 1988 the division completed and published its study of bank failures from 1979 to 1987. The study indicated that management driven weaknesses played a significant role in the decline of 90 percent of the failed and problem banks reviewed. In addition, insider abuse and fraud were identified as a significant cause of decline in more than one-third of the banks studied.

The division is the focal point for supervising and managing most critical bank situations in which the potential for failure is high. During 1988, the division supervised the closing of 52 national banks (an additional 31 bank subsidiaries of First RepublicBank Corporation were also closed). All but one of these closings were followed by a purchase of assets and assumption of liabilities or a transfer of insured deposits to other institutions. Fifteen of the purchase and assumption transactions were "whole bank" transactions in which the FDIC usually retains none of the assets or liabilities.

Special Supervision takes an anticipatory approach in resolving critical bank situations. Division personnel often work closely with potential investors, the bank board of

directors and the Federal Deposit Insurance Corporation in arranging financial assistance for a troubled bank.

Supervisory Systems

The Deputy Comptroller for Supervisory Systems oversees the design, development, enhancement, and maintenance of supervisory information systems and information activities; coordinates and promotes the development of analytical techniques using advanced technology; and fosters confidence in supervisory processes and information through a quality improvement process.

Quality Assurance

OCC has taken steps to implement a nationwide quality improvement process. The objective in establishing a quality improvement process is to enable OCC to:

- Help employees reach their highest potential.
- Create an environment of continuous improvement.
- Improve OCC's problem solving ability.
- Improve operational efficiency.
- Reduce organizational bureaucracy.

Under the direction of a Quality Council the OCC will ultimately implement three separate, but interrelated quality improvement initiatives. Each initiative provides a different methodology for achieving quality. When all three have been implemented, the quality improvement process will be complete. The initiatives are:

- Quality Improvement Teams — Teams of individuals will learn problem solving techniques and improve quality by following OCC's problem solving process.
- Quality Planning — OCC will identify priority areas in which to achieve dramatic improvements. Performance, communication and coordination will be improved OCC-wide to attain participation in the development and actualization of OCC goals and objectives.
- Quality in Daily Activities — Individuals will use the problem solving process daily to meet and exceed job requirements. Individuals will have a clear understanding of what is expected of them individually and how their efforts assist OCC in meeting its goals.

Implementation of each phase is estimated to take 2 to 3 years. OCC has begun implementation by piloting the process in the Southeastern District and several Washington offices. Nationwide implementation is scheduled to begin in the third quarter of 1989.

Supervisory Information

The Supervisory Information Division supports OCC supervisory functions by administering and refining mainframe supervisory information systems, integrating them into the agency's supervisory process through training and communications and ensuring the integrity of supervisory information to foster confidence in supervisory processes.

During 1988, the division completed nationwide implementation of the Supervisory Monitoring System (SMS), began consolidating the mainframe supervision systems and improved national bank and bank holding company call report information. Supervisory Information continues to be a focal point for designing, developing and maintaining the OCC's Supervisory Information Systems (SIS). The mainframe systems used to support OCC supervisory functions include the:

- Community Bank Scoring System (CBSS) — an automated system used since July 1985 to identify potentially unstable community banks.
- National Bank Surveillance Video Display System (NBSVDS) — a data base that includes quarterly ratios and financial information from reports of condition and income, information on bank holding companies, examination results and other regulatory information.
- Supervisory Monitoring System (SMS) — an automated system used to record the supervisory history, the plan and current supervisory activities for each institution regulated by the OCC.

The division is also responsible for determining the adequacy of the Supervisory Information Systems in gathering and reporting timely and complete information and for recommending procedures to ensure data integrity.

Supervisory Research

Supervisory Research identifies, researches and develops new techniques and microcomputer technology to improve the OCC's supervisory process. Specific activities include developing financial modeling and advanced off-site analysis techniques; testing various software tools; and analyzing and making recommendations on proposals for technological applications for bank supervision.

Computer technology plays a significant role in the OCC supervisory process. New technology has given examiners

direct access to data bases, downloading, data processing, and word processing, thus enhancing the efficiency and effectiveness of the OCC's supervisory functions.

Major projects in 1988 included administering the OCC Microcomputer User Group, developing an expert system; training on financial modeling applications; and researching and developing interest rate risk analysis. The OCC Microcomputer User Group was formed to coordinate the development of innovative microcomputer applications throughout the agency.

Research and development continued in the area of new analytical techniques. ERNIE2 and DIRK are examples of these types of applications. In addition, maintenance and improvements were provided for the UBPR Update, NIM Model, OCC1A Forecasting Model, and Capital Projection Model. All of the applications incorporate Call Report data downloaded from the OCC's mainframe computer.

Chief National Bank Examiner

The Chief National Bank Examiner's (CNBE) office coordinates all OCC participation in the activities of the Federal Financial Institutions Examination Council and its various task forces, and organizes briefings for the Comptroller and the Senior Deputy Comptroller on FFIEC issues. During 1988, the CNBE's office supported the Senior Deputy Comptroller in his role as chairman of the FFIEC Task Force on Supervision.

The office also represents the OCC on the FFIEC Reports Task Force, and through close cooperation with OCC data users, endeavors to ensure that the Call Report provides the OCC with the data needed for effective off-site supervision. During 1988, the office spearheaded the successful interagency effort to redefine Call Report submission dates.

Commercial Activities

The Commercial Activities Division (COMAC) oversees and develops the OCC's bank supervision policies. In 1989 the name of the division will be changed to the Supervision Policy/Research Division.

As part of the Chief National Bank Examiner's office, the division identifies and analyzes banking and financial industry trends and supervisory issues. Based upon this analysis, the division then initiates or coordinates the development of new national supervisory policies and regulation or the revision of existing ones. In addition, the division maintains up to date supervisory references, including the *Comptroller's Handbook for National Bank Examiners*, supervision policy issuances and the *Bank Supervision Policy Directory*.

The division also conducts studies and develops or coordinates the development of products/procedures to ensure effective implementation of supervisory activities for the OCC. In 1988, the division published a temporary rule giving relief to banks with declining legal lending limits; studied the issue of banks that have suffered capital reductions due to defalcations; produced issuances on home equity lending, annual disclosure, loan loss amortization and the Bank Secrecy Act; clarified the guidelines for real estate appraisals; initiated a complete review/update of the *Comptroller's Handbook for National Bank Examiners;* and published a new *Bank Supervision Policy Directory.*

The division is the focal point for establishing policy for risk based capital, the Bank Secrecy Act, legal lending limits, real estate, and the Uniform Commission Examination, in addition to several other areas that directly relate to bank supervision. Division staff frequently provide technical support to the field, districts, Washington divisions, other regulatory agencies and bank industry groups.

Issues addressed by the division in 1988 included agricultural lending, capital forbearance, financial disclosure, dividends, appraising bank management, other real estate owned, and leasing. Assistance was provided to the FDIC, FHLBB, FED, FCA, Treasury and the ABA. The division also develops data and text for use in Congressional testimony, speeches, correspondence and reports. Members of the division frequently participate on panels and serve as speakers for industry related seminars and meetings.

In 1988, the division initiated the Rotating Examiner Program. The program gives field examiners an opportunity to gain insight and experience with the division and the Washington Office. Assignments inlcude special projects, assisting other staff members, and working with other Washington divisions. Individuals selected for the program also participate in divisional staff and senior management meetings. The major benefit for the division is to gain the "field" perspective on issues.

In 1989, the division will work on a wide variety of issues including implementation of the risk based capital regulation, instituting a revised management appraisal system, a major revision of the *Comptroller's Handbook for National Bank Examiners,* further defining the supervisory approach, as well as continuing work on the Bank Secrecy Act, the Uniform Commission Examination, other real estate owned, and lending issues.

EDP Activities

The EDP Activities Division initiates and implements new policy and supervisory actions relating to bank information technology. This includes research and analysis, industry liaison, and support services to the field, districts, and other Washington units. In fulfilling these duties, the

division administers several major programs including the Multi-District Data Processing Program (MDPS), the Data Processing/Information Systems Training Program (DPIS), Payment Systems Risk, AEGIS, and the EDP portion of Compliance.

The MDPS program is an interagency effort for supervising the largest EDP servicers of financial institutions. Supervising this portfolio of servicers benefits both supervisory and research efforts. During the year, EDP Activities published two reports on MDPS. The first is the annual report that highlights the program accomplishments and reviews leading indicators and industry trends. The second is a summary analysis of the financial condition of the MDPS vendors.

The DPIS program provides career development opportunities for selected examiners. This 2-year program supports the examiners' development in information systems technology and in their communications and administrative skills. This program produces a corps of highly trained and experienced EDP examiners to supervise the multinational, regional, and MDPS data centers. In 1988, six DPIS examiners received the professional designation of Certified Information Systems Auditor.

The AEGIS system contains information on the status of automation in national banks and servicers of those banks. In 1988, a major portion of the system was integrated into SMS. Both the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System have access to this data on the AEGIS portion.

Payment systems risk focuses on the credit, liquidity, and operational risks associated with large dollar funds transfer activity. EDP Activities administers this program by monitoring overdraft positions of all national banks, supporting the districts and the Multinational Department on these issues, and working with the Federal Reserve and other agencies in policy development. This year, the division, jointly with the Multinational Department, researched and reported on risks in international payment systems.

A large role in support of the field, districts, and Washington units involves training. EDP Activities staff instructs at district and FFIEC schools for EDP issues and payments systems risk. They also work with the OCC Training Division and the FFIEC to update EDP related training courses. A revised EDP workprogram school, now the EDP Examination School, was completed this year. The division also works with other agencies to organize the annual EDP Technology Conference and sponsor EDP symposia.

The division researches methods to improve the maintenance and delivery of OCC reference materials. This includes handbooks, regulations, policies, and circulars. The division produced an automated version of its EDP handbook in response to requests from field examiners and distributed it for testing and comment.

Systemic risk is an important issue for the OCC. EDP Activities analyzed existing methods to assess and report systemic risks. Recommendations to improve this process were presented to the Supervisory Policy Group and subsequently adopted.

Other activities relating to policy development and support included issuing circulars on end-user computing, information security, and large systems integrated software. The EDP Handbook, the EDP workprogram, and the EDP Compliance procedures were revised in 1988.

Bank Accounting

The Bank Accounting Division develops accounting principles and establishes reporting practices for national banks and interprets these principles for the OCC and bankers, accountants and attorneys. The division stays abreast of emerging bank accounting issues and ensures that current OCC policies are effectively communicated.

Division staff provide technical assistance and guidance to OCC examiners and bankers on general and specific accounting issues. For example, to facilitate the implementation by banks of the new accounting requirement for loan fees, the division issued an OCC Advisory that provides guidance in this area. In addition, accounting for asset securitization, income taxes, interest rate swaps, liquidating banks, business combinations, quasi-reorganizations, and loan loss reserve transfers of acquired or liquidated banks are ongoing issues addressed by the division during 1988.

The division also develops educational programs and provides training assistance to OCC examiners on accounting related topics. Presentations were made at district and field office conferences on current accounting issues, including business combinations, income taxes, and loan fees.

The division worked to improve OCC accounting consistency and develop individual expertise within the districts. It sponsored the first Annual Accounting Workshop. Representatives from each OCC District and other bank regulatory agencies attended. The division started the Bank Accounting Advisory Series (the BAAS). The BAAS is a quarterly summary of division staff interpretations in a question and answer format addressing a variety of accounting topics using specific examples.

The division also serves as a link between the banking and accounting industry in addressing emerging accounting and supervisory issues. It not only responds to specific questions, but participates in industry conferences and

related meetings which promote communications with bankers and accountants. Presentations were made by the division staff to groups of 50 to over 500 on numerous topics.

To ensure that the accounting and financial reporting views of the agency are considered, the division maintains an active relationship with the other banking regulators, the SEC, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants (AICPA) Banking Committee. Additionally, individuals within the division serve as representatives for the office of the Chief National Bank Examiner in many interagency regulatory work groups, including the Federal Financial Institutions Examination Council (FFIEC) Reports Task Force.

Under the auspices of the FFIEC, the division assisted in developing a proposal for accounting for interest rate swaps. The proposal would preclude the immediate recognition of income at the inception of a swap and require subsequent changes in market value for swaps acquired for speculative purposes be recognized in income. Public comments on the proposal are currently being reviewed.

New issues being addressed are in the accounting for business combinations of troubled financial entities, assistance provided by the insurance funds to the surviving entity and liquidating banks. During 1988 the division participated in discussions and meetings with the accounting profession and banking industry on these issues.

The division has worked with the accounting profession to promote increased cooperation among CPAs and bank examiners. Although the program is currently in the pilot stage, new initiatives are being developed to correspond with the Treadway Commission's report on fraudulent financial reporting. One of the goals of the program is to improve communication among examiners and CPAs. This will help the OCC and the CPAs meet a common objective: maintaining safe and sound banking institutions.

The division also reviews and provides guidance for the preparation of financial statements included in documents filed pursuant to 12 CFR 11 and 12 CFR 16. During 1988, the division reviewed offering circulars, merger proxy statements, and registration statements in over 175 documents.

Finally, the division works closely with other OCC divisions during legal enforcement proceedings and related actions involving accounting issues. During the year, division staff took part in several proceedings and acted as expert witnesses in two court cases.

Compliance

Trust Activities

The Trust Activities Division identifies current issues and trends in the trust and related fiduciary services industry. It develops and maintains policies and procedures relating to the supervision of such activities in national banks. Technical support is provided to field examiners, district/field offices and other divisions within the Washington Office. External liaison is maintained with the fiduciary services industry. The division revises and updates the *Comptroller's Handbook for National Trust Examiners;* supports the conduct of international fiduciary examinations; collects, compiles and publishes basic information on fiduciary assets and income/expenses of national banks with trust powers; coordinates the supervision of stock transfer activities of national banks; establishes policy for the collective investment of trust assets; and performs a variety of administrative functions.

The Trust Activities Division contributed to or supervised numerous projects during 1988. Major initiatives included the following:

- The *Comptroller's Handbook for Compliance* was revised and finalized for publication as part of the OCC's Compliance Program.
- The Trust Division introduced an off-site analysis approach to trust supervision as a complement to on-site examinations.
- The Trust Division, as an advisory committee member, assisted in shaping a syndicated study of the future direction of the trust industry — "Seeking Successful Strategies: Articulating An Agenda for the 1990's."
- Automated knowledge base technology was used to develop a prototype knowledge base of trust supervisory material for assessment of its applicability to supervisory processes.

Trust Division staff were involved in both internal and external training efforts, including serving as lecturers or instructors for OCC, interagency and industry sponsored schools and conferences. An automated *Fundamental and Advanced Fiduciary Topics* course was completed and introduced as a pilot course. Division staff supported the Multinational and Regional Bank Supervision Division and district supervisory staffs in overseeing the examination of domestic trust activities. Advice and assistance in enforcement activities involving trust matters were provided as required.

The division supports the supervision of international fiduciary activities. During 1988, the international fiduciary

activities of one branch and eight multinational subsidiaries were examined. The division processed 98 Annual Reports of International Fiduciary Activities.

During 1988, the division processed 350 collective funds or amendments to plans. Nationally, 250 consumer complaints relating to trust activities of national banks were processed by the OCC. Seventy-seven certifications of trust powers were issued. Requests to establish 6 trust service offices were approved. The division reviewed and processed 105 registrations, amendments or withdrawals from registration for the approximately 550 registered national bank stock transfer agents.

Consumer Activities

The Consumer Activities Division is responsible for developing policies and procedures for supervising national bank compliance with consumer protection laws and regulations. It also assists in compliance training for bankers and examiners. Additionally, the division's staff provides technical assistance to other OCC units, bankers and examiners. Finally, the division administers the OCC's Consumer Complaint Program. The report required by the Federal Trade Commission Act appears elsewhere in this *Quarterly Journal*.

The division monitors developments in consumer financial services and changes in laws and regulations. Important developments and changes in laws and regulations are communicated to the industry and examiners by bulletins, circulars and advisory letters prepared by division staff. As appropriate, these issuances are incorporated into periodic supplements to the *Comptroller's Handbook for Consumer Examinations*.

During 1988, the division sponsored two major seminars for OCC staff. The first, an advanced compliance management seminar brought together OCC field managers (senior examiners), bankers, and consumer and community leaders. The seminar covered a wide range of compliance, consumer protection and community reinvestment issues. Additionally, there were presentations on recent regulatory developments and Congressional initiatives.

The second major seminar was an advanced consumer complaint seminar for the OCC's district consumer complaint specialists and their supervisors. Other OCC units including the Law Department also participated. Speakers included OCC executives and representatives of the Department of Housing and Urban Development, the U.S. Office of Consumer Affairs, the Federal Trade Commission, the Federal Deposit Insurance Corporation and the Federal Reserve System. Topics included recent regulatory and legislative activity, equal credit opportunity, electronic fund transfers, expedited funds availability, and unfair and deceptive practices.

In 1988, the division continued its support of OCC's compliance program through education and outreach activities. Division staff represented the OCC at approximately 40 seminars and training sessions sponsored by national and state trade associations and the OCC. Major forums included the American Bankers Association's (ABA) Bank Compliance Symposium which was televised to over 4,000 bankers, the ABA's National Compliance Seminar which was attended by over 450 bank executives, and the ABA National Compliance School which is held semi-annually and attended by approximately 300 bank compliance managers.

The division director represents the OCC on the Federal Financial Institutions Examination Council's (FFIEC) Consumer Compliance Task Force. The FFIEC is an inter-agency body created by Congress to prescribe uniform principles and standards for examination of financial institutions and to promote uniformity in the supervision of financial institutions. The Consumer Compliance Task Force is one of the FFIEC's permanent task forces. The division provides staff for the task force's project working groups. Major projects included the FFIEC's Home Mortgage Disclosure Act aggregation project. A division staff member manages this annual project for the FFIEC. This year-long project aggregates, by metropolitan area, information on home mortgage lending by financial institutions and makes it available to depositories in each metropolitan statistical area. Other task force projects included review and revision of the FFEIC's uniform, inter-agency consumer compliance examination procedures and the development of an initial training session for the Expedited Funds Availability Act. Late in the year, a Community Reinvestment Act working group was organized by the task force. A division staff member chairs this group which will address Community Reinvestment issues assigned to it by the task force.

Investment Securities

The Investment Securities Division develops OCC supervisory policy on matters relating to bank investment activities, securities dealer activities, and capital markets activities; examiner training in these areas; and related enforcement matters. The division coordinates and carries out the responsibilities imposed on the OCC by federal securities laws that govern the conduct of national banks functioning as municipal and U.S. government securities dealers. In addition, the division acts as liaison with the securities industry, bank dealer community, other regulatory bodies and the public with respect to investment securities, bank dealer and capital markets activities

Trends and products in this segment of the financial services industry continued to change in 1988. The division

monitored these changes and continued to develop policies and supervisory techniques to ensure the continuing safety and soundness of bank operations in these areas. The division developed supervisory statements on discretionary management of bank investment portfolios, objectionable investment practices, the criteria for selection of securities dealers and those sections of the Government Securities Act regulations that are applicable to all banks. Additionally, the division coordinated the final revision of the examiner compliance procedures for enforcement of the regulations implementing the Government Securities Act, Municipal Securities Rulemaking Board rules and discount broker activity.

Division staff continued to participate in examiner training by acting as instructors in a series of seminars on bank dealer and investment portfolio activities, options, securitized assets, and interest rate swaps. Currently, 68 field examiners participate in the division-sponsored Investment Securities Training Program which is designed to ensure that a high level of examiner expertise is available to review investment, dealer, and capital markets activities. The number of examiners in this program depends on the particular need for such expertise within each district.

The staff also participated in numerous speaking engagements within the banking and securities industries. This activity is designed to foster communications with the securities industry and bank dealer community, provides insight into evolving trends and ultimately results in more effective banking supervision.

International Banking and Finance

The International Banking and Finance (IB&F) Department, headed by a deputy comptroller, is responsible for maintaining the OCC's relationships with the international financial community and for research, advice and policy formulation affecting the international activities of national banks. In 1988, IB&F enlarged the scope of its activities beyond international debt policy work in order to keep abreast of current and anticipated developments in the G-10 and other industrialized countries likely to affect the ability of U.S. commercial banks to compete in the global market for financial services.

ICERC Management

Through IB&F the OCC holds the position of permanent Interagency Country Exposure Review Committee (ICERC) Secretariat. In 1988 the division also chaired ICERC, the Committee legislatively authorized to establish credit categorizations and, when necessary, mandate reserve levels for approximately 80 developed, developing and newly industrialized countries.

ICERC meets in Washington, D.C. three times a year for a total of 15 business days, with voting members representing each of the federal banking agencies (the Federal Deposit Insurance Corporation, the Federal Reserve Board and the OCC). Its credit determinations are communicated to all banks engaged in cross-border lending activity. In 1988, under IB&F's leadership, ICERC broadened the scope of its deliberations to monitor more closely the activities of multilateral development institutions (e.g., the International Monetary Fund and World Bank) and creditor bank reschedulings as they bear on the creditworthiness of heavily indebted foreign countries.

International Supervision Policy

This division serves as the focal point for monitoring and reporting on financial, economic and bank supervision activities in all countries of the world. Information on major geographic sectors is maintained in data base form readily accessible to all OCC managers and national bank examiners. Members of the division are fully familiar with the geographic sectors for which they are responsible (e.g., Latin America, Western Europe). The division works closely with OCC's Economic Analysis and Strategic Planning Department, Multinational Banking and the Chief National Bank Examiner.

Division members participate in regular meetings with their counterparts at the Treasury Department, the International Monetary Fund, the Inter-American Development Bank, the World Bank and a variety of industry trade groups. The division also assists in preparing Congressional testimony and participates in both overseas missions with the multilateral development institutions and overseas examinations of national banks and their operating subsidiaries. Formal presentations are made to the Comptroller, the Policy Group and the Supervisory Policy Group on the banking systems in foreign countries, unique transactions and other matters of interest.

As transactional activity by national banks seeking to reduce medium-term lending to developing countries increases, the division reviews bank proposals and, when appropriate, prepares interpretive and no-objection letters. The principal objective of this effort is to facilitate transactions that improve a bank's position in the holding of debt and/or equity interests in foreign countries.

Bank Supervision Operations

Multinational Banking

The Multinational Banking Department, established in 1979, is responsible for the direct supervision of all national banks owned directly or indirectly by the following companies: BankAmerica Corporation, Bank of Boston Corporation, Chase Manhattan Corporation, Citicorp, Continental Bank Corporation, First Chicago Corporation, Marine Midland Banks, Inc., Mellon Bank Corporation, NCNB Corporation, Security Pacific Corporation, and Wells Fargo & Company. The department is also responsible for international examining activities, and supports the OCC districts' regional bank and federal branch supervisory programs.

Ongoing supervisory activities include examining multinational banks' global operations, meeting with industry executives, and monitoring capital levels and other supervisory mandates. As of September 30, 1988, the 11 multinational institutions and their affiliates held assets of $662 billion, 36.5 percent of the entire national banking system. The importance of the multinational institutions, aside from size, is reflected in their worldwide operations, key role in the domestic economy, and leadership in the evolving global financial services marketplace.

The Multinational Banking Department also decides or recommends action on all corporate applications filed by the banks under its supervision. In the international arena, federal branch licenses were granted to one Chinese and two Hong Kong banks. The initial application for a federal branch of a Mexican bank is under review. Limited fiduciary powers were granted to one bank and voluntary liquidations were completed by four foreign banks. Two voluntary liquidations remain in process. During 1988, the department's domestic corporate activity focused on new charters. Under special statutory authority, two "bridge banks" were chartered to facilitate the resolution of the First RepublicBank Corporation situation. Mellon Bank Corporation received authority to organize a *de novo* bank for the purpose of acquiring, from its bank subsidiaries, domestic low quality assets and at the same time beginning voluntary liquidation. The department also reviewed various operating subsidiary proposals involving the securitization of commercial and consumer debt and the expansion of brokerage type activities.

At the end of 1987, the department was consolidated into two divisions in order to concentrate resources into distinct staff and line units. Multinational and Regional Bank Analysis directly supports the supervisory responsibilities of the larger banks by developing supervisory guidelines, providing financial analysis, monitoring market trends and conducting special research and studies. The division also supports the OCC's systemic risk process by working closely with other U.S. and foreign supervisors. Research and analysis is performed on issues of concern such as credit risk, interest rate risk, foreign exchange rate risk and liquidity risk. The division recently issued an examination circular on highly leveraged transactions.

Multinational and Regional Bank Supervision is responsible for the direct supervision of the individual multinational banks. Specific responsibilities include evaluating the condition and performance of the multinational institutions, formulating and implementing examination strategies, and decisions and/or recommendations on corporate and licensing applications. Additional functions include corporate and licensing applications. Additional functions include administering the Shared National Credits program, supporting regional bank and federal branch supervisory programs of the six districts, and administering the OCC's international examination efforts. The division also works closely with the FDIC and Federal Reserve Board to coordinate major interagency examination efforts. The division consists of both Washington staff and a group of field examiners based in Boston, Charlotte, Chicago, Dallas, London, Los Angeles, New York, Pittsburgh, and San Francisco.

The department's examination philosophy is to take an ongoing and anticipatory approach. The department's field examiners are permanently stationed in each multinational lead bank to facilitate communication and information exchange, thus enhancing the department's ability to promptly identify and respond to emerging issues and risks. A Washington-based examiner staff maintains continuous dialogue with the field examiners to ensure that examinations are proceeding as planned and to keep OCC management informed of significant events affecting the assigned institutions.

Supervisory strategies are developed annually for each of the multinational companies and revised when necessary. In developing strategies, emphasis is placed on evaluating the level of risk in a specific institution and devising a plan to monitor those risks. Supervisory strategies encompass both on- and off-site analyses, and relate closely to macroeconomic factors and marketplace developments.

Off-site analysis has been enhanced by improved automated systems, communications and increased contacts with market participants and analysts. Resident examiners

update the OCC's Supervisory Monitoring System quarterly regarding the condition of the lead bank.

On-site analysis is focused on a series of examinations targeted at specific areas of identified or perceived risks affecting individual multinational companies or the multinational banking system as a whole. For example, recent examination efforts have been directed toward asset quality and the adequacy of the allowance for loan and lease losses, interest rate risk, funding and liquidity; capital markets, trading, foreign exchange, and treasury activities; business expansion plans, both product and geographic; financial analysis; and control functions such as audit, loan review and management information systems. Comprehensive compliance examinations, including trust and EDP activities, are generally conducted every other year in each multinational company utilizing the OCC's Compliance Program Examination Procedures.

Department personnel also participate in developing new supervisory techniques and approaches. Recent examples include investment banking and trading activities, interest rate risk management, highly leveraged transactions, and real estate lending and foreclosed property procedures. The department also redesigned the supervisory program for federal branches and assisted in the development of the risk-based approach to capital adequacy.

The division administers a local area network (LAN) that connects over 50 people in 5 divisions. LAN applications continue to improve the efficiencies in data sharing and/or data transfer.

Corporate and Economic Programs

Bank Organization and Structure

Bank Organization and Structure (BOS) establishes and implements policies affecting corporate activities of national banks, and analyzes and processes requests from individuals and banks to engage in banking activities. Since the comprehensive review and streamlining of licensing policies and procedures in recent years, BOS has worked to identify, help draft and promote legislative proposals to reduce paperwork and regulatory burdens on banks and the Office. In 1988, licensing delegations to the district offices were revised and further expanded. The department monitors OCC's overall licensing function and continues to enhance the quality control and information systems that support increasingly decentralized licensing operations.

Licensing Policy and Systems

The Licensing Policy and Systems Division develops and implements general policies and procedures for the corporate activities operations of the OCC. The division also coordinates the OCC's licensing quality control program, and oversees the Licensing Information System, a computerized system for monitoring corporate operations.

In the policies and procedures area, the division strives to reduce paperwork and regulatory burdens on applicants, and to improve the efficiency and effectiveness of the OCC's corporate activities operations. During 1988, the division completed several initiatives consistent with these objectives. Significant accomplishments included

- Implementing a new procedure that reduced the processing time for the *Weekly Bulletin* by a week, one half the former processing time.

- Drafting detailed procedures for handling cases sent to the Washington office for processing.

- Developing two packages of licensing legislative initiatives. The first package was a set of miscellaneous housekeeping amendments to the National Bank Act that would reduce significantly the paperwork and regulatory burdens currently associated with a variety of licensing processes. The second package would streamline substantially the process for effecting a corporate reorganization merger, and would also clarify and simplify the statutory requirements governing all mergers in which a national bank is the resulting institution. The Office will seek enactment of these proposals in 1989.

- Developing and implementing computerized licensing training programs. The training programs were directed to field staff conducting field investigations and pre-opening examinations for proposed new national banks, and performing pre-conversion examinations of state chartered banks proposing to convert to national charters.

- Summarizing the Office's stock appraisal procedures and compiling the stock appraisal results for the past 2 years. This information was made

publicly available in a banking bulletin and in a *Federal Register* notice.

- Publishing a final rulemaking that made a variety of technical amendments to the licensing regulations in 12 CFR 5. The amendments corrected and clarified the regulations.

- Extending additional authority to act on applications to the district offices during 1988. As a result, 93 percent of the applications were decided by the district offices.

- Revising the *Comptroller's Manual for Corporate Activities*. New chapters were prepared on bankers' banks, emergency mergers, failed bank acquisitions, citizenship waivers, management interlocks, and responses to requests for comments from other regulators in conjunction with change in bank control notices. Additional improvements were made in response to comments from the district offices and applicants.

The division also monitored corporate activities operations through the Licensing Information System and a comprehensive quality control program. The Licensing Information System produced the OCC *Weekly Bulletin,* summary tables for the OCC *Quarterly Journal,* and a variety of quarterly and annual statistical summaries of the OCC's corporate activities operations. A new *Licensing Information System User's Manual* was completed and distributed. Under the quality control program, corporate activities operations were reviewed in the six OCC district offices and in the Multinational and Regional Bank Supervision, and Corporate Activity divisions in Washington.

Corporate Activity

The Corporate Activity Division is responsible for coordinating District and Washington Office processing of all corporate applications. Applications are processed in accordance with policies and procedures set forth in 12 CFR 5, the *Comptroller's Manual for National Banks* and the *Comptroller's Manual for Corporate Activities*. The division analyzes and provides decisions and recommendations to senior management on applications not delegated to the district offices. Among the applications processed are new bank charters, consolidations and mergers where the resulting bank is a national bank, corporate reorganizations, conversion of state banks to national charters, operating subsidiaries, branches, customer-bank communication terminals (CBCTs), head office and branch relocations, capital changes, and federal branches and agencies of foreign banks. The division also evaluates and processes notices of change in controlling ownership of national banks and requests for exceptions filed under the Depository Institutions Management Interlocks Act, and conducts appraisals upon request from shareholders dissenting to a merger, consolidation or conversion involving a national bank

The number of corporate applications received by the OCC during 1988 was slightly higher than 1987 figures, as shown below.

1988 Corporate Applications

Application Type	Received 1987	Received 1988	Districts Approved	Districts Denied	Washington Approved	Washington Denied	Total Decisions
Branches	895	922	903	3	32	2	940
Change in Control	60	45	32	0	3	4	39
CBCTs	532	681	680	0	5	0	685
Capital	411	368	334	4	40	4	382
Charters	107	64	66	0	22	9	97
Conversions	36	51	40	0	10	0	50
Corporate Reorgs.	286	239	236	2	16	0	254
Federal Branches	9	4	3	0	0	0	3
Fiduciary Powers	33	34	32	2	0	0	34
Mergers	165	146	111	0	23	1	135
Operating Subs./BSC	163	196	160	0	24	1	185
Relocations	237	244	240	2	7	0	249
Stock Appraisals	11	10	0	0	12	0	12
Total	2,945	3,004	2,837	13	194	21	3,065

Note: The table does not include over 900 applications that were filed with other agencies, but reviewed and commented on by the OCC, as required by the Bank Merger and Bank Holding Company Acts and in accordance with interagency procedures for administering the Change in Bank Control Act.

Although the total number of applications received increased, there was a substantial decrease in charter applications (down nearly 40 percent). Large decreases were recorded in the Northeastern, Southeastern, and Western districts.

Of the charter applications received, approximately two-thirds (45) were submitted by independent organizing groups. Roughly one-sixth of the charter applications were sponsored by bank holding companies. In addition, the Office received eight applications from non-financial companies for credit card banks which were filed under the provisions of the Competitive Equality Banking Act of 1987 (CEBA). Among other things, CEBA revised the definition of "bank" for purposes of the Bank Holding Company Act to exclude institutions engaged solely in credit card operations and certain types of trust operations. The first approval by the Office of a CEBA credit card bank was granted to ITT in September for a bank in Cincinnati, Ohio. Banks limiting their operations to fiduciary activities accounted for 9 percent of new bank charter applications. Half of these were bank holding company sponsored; among the others was the Office's first approval of a trust bank under CEBA (Pasadena National Trust Company).

Applications submitted by state banks to convert to national charters increased by 42 percent during the

year. Substantial changes from 1987 figures were recorded in the Southwestern District (down 79 percent) and the Western District (up 425 percent).

Requests to establish or acquire operating subsidiaries or to expand activities of existing subsidiaries were up 20 percent during 1988. Major activities involved in operating subsidiary proposals included various securities purchase and sale transactions, investment advice to bank customers, services related to debts previously contracted, mortgage-related activities, and credit-related insurance offerings.

Other noteworthy information related to the corporate applications processed during 1988 includes the following:

- Approximately 93 percent of all applications processed were decided by the district offices (compared to 91 percent in 1987), reflecting the increased level of delegations.

- The Office approved approximately 99 percent of all applications processed in 1988, reflecting, in part, better planning and preparation by applicants, enhanced assistance by the OCC's licensing staffs, and applicants' better use of the *Comptroller's Manual for Corporate Activities*. This approval percentage is consistent with that experienced in 1987.

- The Office denied 9 percent of all charter applications decided in 1988, compared to 12 percent in 1987.

- The number of brick and mortar branch applications changed very little over the last 2 years, reflecting only a 3 percent increase in 1988.

- CBCT applications continue to be a popular method of providing customer banking services. An increase of 28 percent was noted in this category during 1988.

- Capital notices received in 1988 were down slightly compared to 1987. Of the notices received, 38 percent were for injections of common stock (compared to 27 percent in 1987) and 8 percent were for the issuance of subordinated debt (compared to 18 percent the previous year).

- The division chartered one liquidating bank (a bank designed to collect non-performing assets) which was used to facilitate the restructuring of a troubled financial institution in the Southwest.

- Two bridge banks were chartered to facilitate the restructuring of another troubled institution in the Southwest.

- The first liquidating bank in a non-failure situation was chartered (Grant Street National Bank).

- One national bank, which formerly operated as a trust company, was permitted to expand its operations pursuant to the grandfather provisions of CEBA (First Fidelity Trust, N.A.—Florida).

- One branch application was denied because of the applicant's unsatisfactory performance record under the Community Reinvestment Act. The Office approved 12 corporate applications on the condition that applicants strengthen their CRA performance.

- The Office approved 43 branch applications from national banks requesting permission to branch to the same extent as state-chartered savings and loan associations (commonly referred to as cross-county or Deposit Guaranty-type application), including a precedential decision in Florida.

The Corporate Activity Division continues to provide quarterly summaries of interesting or unusual decisions in each issue of the *Quarterly Journal*. Fourth quarter decisions appear elsewhere in this issue.

Economic Analysis & Strategic Planning

Economic Analysis and Strategic Planning (EASP) supports the OCC's supervisory mission through research, analysis, and consultation on a wide variety of agency programs through the work of its three divisions. The Economic and Policy Analysis Division coordinates testimony and provides input on many policy issues facing the OCC, including risk-based capital. The Industry and Financial Analysis Division analyzes the financial health of the banking system and identifies possible sources of systemic risks. The Strategic Planning Division coordinates the OCC's planning process.

Economic and Policy Analysis Division

The Economic and Policy Analysis Division (E&PA) contributes to the development of OCC policy through economic analyses and research on financial institutions and on the financial services industry. The division's economists provide senior OCC officials with analyses of banking issues and of proposals made by other agencies, the Congress, and the public. E&PA also provides economic advice and analytical assistance to projects throughout the OCC.

In 1988, much of E&PA's effort was devoted to the analysis of the issues raised by expanding the services that commercial banks may provide to the public. The division provided OCC senior staff analyses and background

papers on modifications of the Glass-Steagall Act; new types of deposit accounts; bank entry into insurance markets; commercial bank participation in securities and off-balance sheet activities; implications of expanded bank powers for bank failure; proposals for financial reform by Congressional committees, other agencies, and the public; and deregulation of financial markets in Canada.

E&PA also devoted a significant portion of its resources to preparing Congressional testimony and to writing reports for Congressional committees on a variety of issues. Subjects included the condition of the banking system; the Community Reinvestment Act; risk-based capital; bank entry into insurance markets; and approaches to Glass-Steagall reform.

The division made substantial contributions in 1988 to the development and implementation of a risk-based capital standard. E&PA reviewed and compared different versions of proposed risk-based capital guidelines considered by domestic and foreign bank regulators, summarized and analyzed the comments and critiques regarding the OCC's proposal, and provided estimates of the effects on banks of alternative capital standards.

In 1988, E&PA devoted considerable resources to issues related to deposit insurance. The division evaluated proposals for reform by other government agencies and by private groups; estimated the present and future resources of the deposit insurers; and evaluated the effects of various proposals for dealing with the present crisis in thrift deposit insurance.

E&PA continued to conduct economic research to provide senior OCC staff, other OCC divisions, and Treasury Department officials background information and analyses of developments affecting the financial services industry. In 1988, these efforts addressed S&L funding; the use of stock prices as a leading indicator of bank failure; the accuracy of models for off-site monitoring by bank regulators; and interest rate risk.

E&PA's cooperative efforts with other divisions included the joint preparation of a study differentiating the characteristics of failed banks from those of healthy institutions; assisting in the preparation of testimony on real estate appraisals; consultation with the Bank of the Future Task Force; consultation on revision of the Community Bank Scoring System Model; and participation on the Assessments Task Force and on the Long Term Revenue Task Force Working Group that explored alternative revenue sources for the OCC.

Industry & Financial Analysis Division

The Industry and Financial Analysis Division supports bank supervision programs by analyzing the financial health of the banking system and possible sources of systemic risks. The results of those analyses are distributed to OCC management, staff, and other parties through a variety of reports, many of which are produced regularly.

Among its regular reports, the division produces quarterly evaluations of the condition of national banks. In 1988, I&FA completed five reports, spanning the results from the third quarter of 1987 through the third quarter of 1988. Major themes stressed in those reports included the continuing economic difficulties in the Southwest, improvement in the farm states (despite the drought), and the turnaround in large-bank performance due to a reduction in their loss provisions in 1988 compared to 1987. Those reports also included banking fact sheets for the U.S. and the six OCC districts. Those reports and fact sheets are printed in the OCC *Quarterly Journal* and are distributed both internally and externally.

The division also produces an annual report on the condition of the banking system. In 1988, the report highlighted the earnings difficulties faced in 1987 by large, multinational banks and by banks located in the Southwest. It also addressed the increased competition from nonbank financial institutions, the increase in the number of bank failures, the extent of problems faced by Texas banks, the growth in real estate lending at commercial banks, and the relatively weak performance of new banks. The condition of banking in the Southwestern District, especially Texas, was itself the topic of special presentations to senior staff and others outside the OCC in 1988. In 1988, I&FA also produced reports on home equity lending, possible effects of the drought on banks serving agricultural communities, and possible effects of the late-fall volatility in crude oil prices on banks in the Southwestern District.

As part of its effort to identify and monitor possible sources of systemic risks, I&FA held monthly roundtables at which division staff discussed conditions in each of 20 industry groups. Results of those meetings were supplied to OCC management and examiners.

Strategic Planning Division

The Strategic Planning Division identifies major issues facing the OCC; coordinates development, review and modification of OCC's Strategic Plan and annual plans; facilitates efforts to address strategic issues and formulate contingency plans; fosters the integration of long- and short-term planning processes; and designs and administers programs addressing coordination of organizational goals and priorities.

Significant attention was focused in 1988 on improving the planning process by making it simpler and more meaningful. Planning assumptions and preliminary pri-

orities were formulated based on discussions with senior staff and endorsed by the Policy Group for use by all planning units in developing their 1989 action plans. The framework for action plans was revised to further narrow the focus to a few high priority action items and thus enhance accountability. OCC-wide priority objectives and a comprehensive plan were formulated from the action plans submitted to communicate OCC directions to all employees.

Strategic Planning played an active role in ensuring that the allocation of human resources was consistent with organizational objectives and priorities. The division prepared and provided preliminary 1989 work force estimates to each of OCC's districts, along with a summary of issues to consider in projecting long-term work force needs. The long-term submissions were analyzed using a scenario approach. The division then prepared a submission for the Department of Treasury and OMB communicating OCC's objectives and resource needs over the next 5 years.

Strategic Planning continued to encourage strategic thinking at all levels of the organization by surveying top OCC managers on external environmental issues, conducting brainstorming sessions with diverse OCC groups and preparing papers on evolving trends. Additionally, the division, along with Industry and Financial Analysis Division, began an analysis of the implications of banking industry consolidation over the next 10 years.

Strategic Planning provided a variety of monitoring and planning reports to management throughout the organization and to the Treasury Department. The division produced summaries of OCC-wide accomplishments for 1987 and the first half of 1988 to help management assess progress in meeting established goals. Efforts were made to better coordinate long-term studies being conducted throughout the OCC to encourage consistent planning assumptions and eliminate duplication of efforts. Additionally, Strategic Planning participated in the evaluation and formulation of recommendations for improving the OCC's time reporting system, which is used to monitor resource usage and to project resource needs.

Administration

Resource Management

Human Resources

During 1988, the Human Resources Division pursued various initiatives to support the OCC mission and enhance the quality of working life of OCC employees. Efforts were directed at supporting bank supervision activities, developing technical and managerial skills of OCC employees, improving internal and external communications, operating efficiencies and cost-effectiveness and enhancing employee pay and benefits programs.

Human Resources oversaw the first stages of revisions of field examiner position descriptions and performance standards. The new descriptions are being designed to better reflect examining duties and responsibilities. This will complement revisions made in late 1987 of staffing plan benchmarks, or models, to more accurately address workloads under the eight levels of the hierarchy of risk.

Training was provided to Washington and district office staffs on crucial management oriented and other human resource topics including Career Planning, Uniform Commission Examination Evaluator Training, Recruiter and Test Evaluator Workshops, Performance Management and Merit Promotion.

Internally, relationships with both Washington and district offices were improved by increasing the frequency and reliability of communications on critical human resource developments and issues. Major policies were issued on a drug free work environment, AIDS and leave transfer.

Externally, the division worked closely with the Office of Personnel Management and the Department of the Treasury Personnel Office on issues of concern to the OCC. Relationships with other regulators were emphasized for purposes of information sharing and assistance including supporting the Federal Reserve Board in a comprehensive salary survey (the cornerstone of their compensation program) and staff assistance to the Federal Home Bank Board and the Federal Deposit Insurance Corporation.

Operating efficiency was enhanced by increasing staff knowledge and awareness of organizational needs including requirements for more frequent interaction with OCC management, training in the use of automated systems and planned rotational assignments to serviced areas. Operating effectiveness and regulatory compliance contined to be addressed through Personnel Manage-

ment Evaluation (PME) reviews which were conducted in the Human Resources and Training and Development divisions and the Southwestern District Personnel Office. PME coverage was expanded to evaluate new human resource programs including career planning and the new recruitment procedures. Greater cost-effectiveness was achieved through revenue sharing, a provision of the contractual arrangement with LIFECO, the travel office which replaced SATO in September 1988.

The Human Resources Division continued to seek to maintain competitiveness of OCC pay. Health benefits coverage was enhanced with only minimal rate increases by negotiating aggressively with insurance carriers. Other initiatives included more competitive reimbursement for travel and relocation and a proposal for flexible spending accounts which, if implemented, would provide pre-tax deductions for health and child care costs.

Training and Development

The Training and Development Division educates and develops personnel in accordance with OCC goals. The division's staff includes education specialists, employee development specialists, national bank examiners, and a psychologist. The staff is organized into bank supervision training, career development training and administration.

The Bank Supervision Unit is responsible for designing, developing, implementing, and maintaining bank supervision related training activities. This unit also provides information to districts and other OCC units on bank supervision related training. During 1988 this unit developed several courses including Energy Credit Self-Study, Communicating Effectively with Boards of Directors, and Corporate Activities training. The Bank Supervision and Consumer Orientation Schools were revised, and the Trust and Bank Analysis Schools were converted to Computer Based Training (CBT).

The Career Development Unit administers all training not related directly to bank supervision, including all executive and managerial training. The unit manages formal Career Development programs such as SES Candidate, Director Candidate and the CD I programs. The CD I Program allows participants to remain in their current positions, thus eliminating the requirement to move to Washington. The unit also offers a 2-day assessment center for managers and a skills laboratory for Director Candidates and newly appointed directors.

The Administrative Unit is responsible for preparing and monitoring the division's budget, processing all training requests, coordinating and scheduling training classes, issuing training announcements, arranging lodging for students and instructors from the Districts, and preparing and monitoring contracts and requisitions. In 1988, the division conducted 186 sessions of OCC and FFIEC training programs for 2,531 students and arranged for 1,740 courses outside the agency.

The Advisor for Educational Development functions as a consultant on training related issues and researches and develops programs or seminars to meet the special, specific needs of personnel within any district, division or team in the OCC. The advisor is available for consulting about and leading such programs, and identifying external consultants and vendors for programs already developed by the division. The Education Specialist for Evaluation acts as consultant to administrators of programs, helping identify both areas and instruments for evaluating training. The advisor makes recommendations, builds evaluative measures into the design of training programs and measures the effectiveness of OCC's training programs.

Administrative Services

The Administrative Services Division provides administrative support for the OCC in the areas of records management and library services; procurement and contracting; leasing and property management; printing and graphics; and building, property, and supply services.

Construction was completed on the Northeastern District Office with occupancy in February 1988. During the year, the division managed 20 office construction projects nationwide. Additional cabling was installed in 40 district and field offices and duty stations to accommodate data processing and telecommunications equipment.

In 1988 Administrative Services worked with the districts to upgrade the district records management programs. Records coordinators were appointed in each district. The national filing system used by OCC districts for bank records was revised and the new system installed in all district and field offices. In addition, the division launched a major document security program which has improved the protection given to sensitive documents by the OCC nationwide.

During 1988 the OCC celebrated its 125th anniversary. Information about historic events was circulated to all employees and a permanent exhibit about the 26 Comptrollers of the Currency was mounted. Secretary of the Treasury Brady and three former comptrollers joined Mr. Clarke in a program celebrating the anniversary, and former Comptrollers Smith and Heimann delivered OCC history lectures.

Major contracts with an agency-wide impact were awarded during the year for an expansion computer mainframe, quality improvement services, and travel/hotel services.

Administrative Services continued to provide professional services to the OCC. The division is responsible for a wide range of day-to-day services, from administering the parking policy to responding to requests for administrative assistance from management. In 1988, 1,800 requests for purchases and contracts totaling almost $32 million were processed, with contract negotiations saving more than $1.6 million. Over 1,225 tons of supplies and publications were shipped to district and field offices and bank examiners. Approximately 2,165 graphics, 1,252 printing, and 1,685 reproduction requests were filled. The library responded to 3,500 requests for reference assistance, conducted 1,128 online searches, and purchased 700 new publications. The library staff also borrowed 945 publications for OCC employees from other libraries through interlibrary loans.

Operations Analysis

The Operations Analysis Division is the agency's focal point for evaluating and consulting services. At management's request, the division analyzes and critiques OCC operations and programs for efficiency and effectiveness and provides recommendations for improvements. The division provides evaluative and technical assistance for new initiatives or programs.

The staff consists of national bank examiners and management analysts. Ongoing functions include assessing major programs and management systems; designing and conducting organizational surveys; analyzing workflow; and performing project and program management. At times, the staff participates on various Washington task forces and committees.

Major in-house management and organizational consulting projects undertaken in 1988 included an evaluation of the National Recruitment Program, an organizational review of the CNBE's Office, a follow-up study in the Financial Management Division, a review of Equal Employment Programs' operations and a study of the feasibility of employing support staff in duty stations. Other studies were performed for the Deputy Comptroller for Supervisory Systems, the District Administrator of the Northeastern District and management in the Administrative Services Division. In addition, assistance in organizational analysis was provided to the Commercial Activities and Training and Development divisions.

Equal Employment Programs

The Equal Employment Programs (EEP) Division monitors, evaluates, and assesses EEO and affirmative employment (AE) conditions. The division also processes complaints of discrimination and provides training, advice, and guidance to managers, supervisors, and employees on EEO and AE matters. The staff consists of the program director, two EEO specialists, one program analyst, and a clerk/typist.

During 1988, the division staff conducted numerous presentations and training workshops on the EEO and AE status of OCC, and the EEO and AE responsibilities of management and advisory committee members. New EEO counselors were appointed for Washington and the districts and trained at a special workshop in Washington. Other activities included participating in personnel management evaluations and the attitude survey advisory group; updating training modules for managers, supervisors, and support staff; and providing assistance to district offices and Washington divisions. A special month of programs, Cultural Awareness Month, was organized by the division during the month of October. The programs emphasized the multi-ethnic origin of our society and work force and stressed appreciation and the importance of cultural differences.

The EEP Division Rotational Assignment Program continued to be very successful in 1988 and will continue in 1989. This program, instituted in 1987, provides 1-month assignments in the EEP Division for district personnel and field examiners.

A major project in 1988 was developing a new 5-year affirmative employment program (AEP) plan for the OCC. The plan covers fiscal years 1988 through 1992 and its primary focus is on internal movement and upward mobility of women and minorities. The plan will enable OCC to continue progress made in affirmative employment. AEP plans were developed for each district and the Washington office.

Management Improvement

Management Improvement serves as OCC's focal point for ensuring participation in and compliance with various governmentwide initiatives and statutes such as the Federal Managers' Financial Integrity Act (FMFIA). In addition, the division serves as liaison with auditors of OCC and ensures follow-up and responsiveness to audit recommendations.

During 1988, the Management Improvement Division implemented PPM 3230-2 to provide for the audit of OCC policies and procedures by Treasury's Inspector General and the General Accounting Office and for following up on audit recommendations. During the year, the division increased the level of attention given to audit recommendations by designating a large number of senior level managers from all departments action officials responsible for implementing audit recommendations. Finally, the division designed and implemented automated forms for use in the audit followup process. One page captures sufficient information to fill the requirements of two pro-

grams: audit followup and FMFIA (identification of material weaknesses).

The division director worked with Bank Supervision's Quality Assurance Division as Administration's representative in the implementation of OCC's quality improvement process. The director participated in the design of the overall program and planning for its implementation and will serve as a facilitator for lead and problem solving teams within the Administration Department.

During the year, the division worked with Treasury's Inspector General to develop, arrange and present the integrity awareness program to OCC employees.

Systems and Financial Management

The Deputy Comptroller for Systems and Financial Management is the OCC's chief financial officer and is primarily responsible for automated information systems development and operation for the OCC. Support for the OCC's increasing reliance on effective management information systems (MIS) is provided through four MIS units reporting to the Deputy Comptroller. They are the Applications Development Division, User Support Division, Systems Support Division, and the MIS Coordination unit. These units resulted from a major reorganization of the MIS area which was effective at the beginning of 1988. The reorganized units provide a higher level of user support and allow for the development and operation of larger and more sophisticated information systems. The Deputy Comptroller serves as chairman of the MIS Committee which helps set policies and priorities for information systems development for the OCC.

The Deputy Comptroller is responsible for ensuring that the OCC's financial resources are used efficiently. This includes developing an effective operating budget, controlling payments appropriately, and providing informative financial reports and policy guidance on financial issues. The financial area was reorganized during 1988 to help improve the quality and reliability of these important processes. The resulting units are the Financial Management Division and the Financial Review and Systems Management Division.

In addition to the organizational responsibilities outlined above, the Deputy Comptroller serves as a member of the career development task force which is dedicated to identifying, developing and maintaining the best management talent for the OCC and supports and serves on a number of task forces concerned with OCC-wide issues.

MIS Coordination

This new unit was established at the beginning of 1988 to provide improved planning in the MIS area, a focal point for coordinating MIS policies and issues for the OCC, and administrative support to the other MIS divisions in Systems and Financial Management. The major responsibilities and activities of the unit during 1988 included:

- Supporting the MIS Committee which provides advice and guidance on MIS plans, policies and priorities to the Deputy Comptroller for Systems and Financial Management and to the Policy Group. This support includes developing agendas and preparing and distributing minutes providing information on MIS actions and issues to the OCC. The unit coordinated a joint meeting between the Committee and the District Administrators during the annual planning process to ensure the development of an effective MIS operating plan supporting all areas of the OCC.

- Coordinating the development of the annual MIS operating plan with the MIS divisions, the MIS Committee, and the districts.

- Sponsoring quarterly meetings with the district MIS Managers to ensure the best possible coordination of MIS initiatives affecting the field and to fully incorporate district views in both ongoing MIS projects and the planning process.

- Ensuring that OCC's automated information security policies and procedures were appropriate to protect sensitive data and OCC's resources. This included:

  — Coordinating an annual risk analysis examination of important information systems;

  — Controlling the issuance of user IDs;

  — Initiating computer security awareness training; and

  — Developing an information systems security plan.

- Providing personnel support to the other MIS divisions necessary for the development and staffing of positions needed to complete the reorganization and expansion of the MIS area.

- Providing planning and budget support to the other MIS divisions to assist them in ensuring that available funding was used to complete all MIS plans and initiatives.

Applications Development

The Applications Development Division (ADD) was established in 1988 as a result of the reorganization of OCC's MIS divisions. In mid-1988, a task force was appointed to design a more effective organizational structure for ADD taking into account the needs and concerns of OCC and the division. The new organizational structure is a result of that effort.

ADD is responsible for all application systems development, maintenance, and supporting activities. The division is organized into two areas, Applications Systems and Applications Support. Applications Systems consists of four branches: Supervisory Applications 1 & 2, Administrative Applications, and Financial Applications. Collectively, these branches are responsible for the analysis, design, development, implementation and maintenance of all OCC mainframe application systems. Applications Support is responsible for support of the Application Systems area and is made up of three branches: Applications Research, Quality Assurance, and Data Administration. Applications Research is responsible for exploring new tools and methodologies. Quality Assurance ensures all application systems are quality products by developing standards and procedures, including the Application Development Life Cycle (ADLC). Data Administration oversees OCC's data architecture by developing logical data models for all new and existing application systems.

Significant accomplishments in 1988 included:

- Full implementation of the ADLC. All major modifications and new development efforts were carried out using the ADLC.

- Development, modification and/or maintenance of over 50 systems throughout the year including the recently implemented Training Administration System. This development project was the first to go through all six phases of the ADLC process. The system has been well received and has not required any major modifications.

- Development, implementation and distribution of the ADP Standards and Procedures Manual.

Systems Support

The operations of both the Systems Support group and the Operations and User Services group were transferred to the Systems Support Division (SSD) in 1988. The division is responsible for the agency's telecommunication network, both voice and data, database support; systems programming, and ongoing data entry and computer operations support. The division manages the OCC Data Center.

Significant SSD activities during 1988 included:

- Developing a mainframe capacity plan which resulted in upgrading the mainframe and improving central mainframe access time for users.

- Managing, enhancing, relocating, expanding and reconfiguring the agency's nationwide telecommunications network which included:

  — Completing the expansion and reconfiguration of the agency's nationwide telecommunications network, including headquarters. This involved installing telecommunications equipment in the Northeastern District Office (relocated), in two new duty stations and 14 relocating duty stations.

  — Installing the CASE Network Management System (NMS) to promote efficient and effective performance monitoring and network troubleshooting.

  — Relocating the Telecommunications branch to the Data Center Annex.

  — Providing new or upgraded PBXs at two district office locations and upgrading commercial telephone service at several Field and Duty Station offices and at the Data Center and Annex.

  — Providing enhanced facsimile capability to the Washington office, OCC locations nationwide and the London, England Office.

- Providing other federal bank regulatory agencies with enhanced access to the OCC systems.

- Implementing new or modifying several existing databases and database software to improve performance.

- Performing several disaster/recovery tests including a nationwide one.

User Support

In January of 1988, the User Support Division (US) was created as part of the overall reorganization of the automated systems area of Systems and Financial Management. US is responsible for OCC's office automation and user support programs, which were handled by the former Management Systems and Technical Services Division.

The Information Center Hotline provides users a single point of contact to resolve automated equipment, tele-

communications, software or application problems. Computer specialists on the Hotline provide direct assistance for most problems and referral and follow-up for any that cannot be immediately resolved. In 1988, a mainframe tracking system, Help Call Management System (HCMS), was developed to improve the service to users who averaged more than 1,100 calls monthly.

The division also helps users by providing practical information through a comprehensive *Microcomputer Users' Guide* which was updated during the year. The division also increased its efforts to help users access data in OCC's mainframe data base through an ad hoc query language, FOCUS.

US routinely evaluates hardware and software for office automation systems to ensure that users continue to have the systems necessary to accomplish their jobs efficiently. Several major steps were taken in 1988 as a result of this responsibility. US coordinated the evaluation and field test to select a standard, portable microcomputer for the field examiners and the subsequent acquisition of over 200 of these systems. The division initiated a 2-year program that has been adopted to phase out OCC's older microcomputer systems. It also coordinated a study to select a local area network (LAN) that will be installed in OCC's law department and evaluated as a prototype for other office departments. The unit developed a standard, multi-featured printer action table for OCC's sophisticated network system of laser printers that are available in every duty location.

Financial Management

The Financial Management Division promotes the efficient use of the OCC's financial resources. The division has two branches: Financial Planning and Analysis, and Accounting and Funds Management.

Financial Planning and Analysis develops, recommends, implements and administers revenue and expenditure policy; performs financial analysis; designs and operates financial models; and directs the OCC's budget operation, which includes working with the Treasury Budget Office, the Office of Management and Budget, and Congress. In 1988, the Financial Planning and Analysis Branch:

- Revised OCC's assessment schedule.
- Completed a study of the budget execution process.
- Provided expanded budget assistance to District and Washington units.
- Issued the 1989 Notice of Comptroller of the Currency Fees.
- Performed financial analysis of OCC programs and projects to ensure maximum utilization of funds.
- Executed the 1988 operating budget and formulated the 1989 operating budget.

Accounting and Funds Management is responsible for collecting and disbursing all funds and managing OCC's financial reporting systems. This includes recording all of OCC's financial transactions, ensuring that the financial system effectively monitors resource utilization and forecasting activities, and providing financial reports for management. Additionally, the area manages the OCC's investment portfolio and relocating personnel. During 1988, the Accounting and Funds Management Branch:

- Implemented a lockbox collection system.
- Developed an OCC system of records to enhance OCC's ability to collect outstanding debts.
- Continued efforts in development of an on-line automated Time & Attendance System.
- Developed and conducted training for time and attendance certifying officials in Washington and the districts.

Financial Review and Systems Management

The Financial Review and Systems Management Division was formed in August 1988 and is responsible for quality control reviews, internal control reviews, Federal Managers' Financial Integrity Act (FMFIA) reporting, and the design, development, enhancement and implementation of financial systems. In 1988, the Financial Review and Systems Management Division:

- Conducted quality control reviews of OCC's district and field offices' financial operations.
- Conducted Washington office reviews of Accounts Payable and Payroll.
- Conducted FMFIA Section 4 reviews of the accounts payable/disbursement and accounts receivable/receipt subsystems of OCC's Financial Information System.
- Coordinated enhancements to the Cullinet Accounts Payable System and managed production problems to ensure satisfactory resolution
- Formed a government users group composed of agencies which have acquired and/or are

using Cullinet financial applications software. This group provides a forum for joint development of unique programming requirements and the ability to speak with one voice to Cullinet on government financial system needs.

- Developed and pilot-tested a process in which each district office can access its payment information on-line from the accounts payable system. This process will be fully implemented early in 1989.
- Working with the Financial Management Division and the Applications Development Division, coordinated the design and development of an automated Time and Attendance Entry System. The system prototype was presented to district and Washington timekeepers. Implementation is scheduled for the second quarter of 1989.
- Performed system testing and parallel testing of an upgrade to the general ledger software which will be implemented in February 1989.

Law Department

Litigation

The Litigation Division represents the OCC in court. In 1988, the Litigation Division handled a variety of significant cases in which the OCC was a participant. Among those cases was litigation concerning OCC approvals of various national bank activities and its approvals of reverse stock splits and mergers.

With respect to permissible activities, the Comptroller's decision permitting Citibank to establish an operating subsidiary, AMBAC, to offer municipal bond insurance was upheld. In *American Insurance Association v. Clarke*, No. 87-5128 (D.C. Cir.), the court affirmed the conclusion of the district court that the proposed activities were permissible under 12 U.S.C. 24 (Seventh). It determined that the provision of municipal bond insurance is the functional equivalent of a permissible standby letter of credit. As is the case with a standby letter of credit, the municipal bond insurance also is not an impermissible guarantee.

Another major case in the area of permissible activities of national banks is *Securities Industry Association v. Clarke*, No. 87-CIV-4504 (S.D.N.Y.). This case involves a challenge to OCC's opinion letter concluding that issuance and sale by national banks of mortgage-backed pass-through certificates is in substance a traditional banking activity, and is not prohibited by Glass-Steagall. The district court disagreed with OCC's conclusion and found that the bank's proposed activities did violate Glass-Steagall. OCC is appealing this decision. In addition, the Investment Company Institute has challenged this Office's authorization of Chase Manhattan Bank's market index deposit instrument. *ICI v. Chase Manhattan Bank, N.A., et al.*, No. 87-1093 (D.D.C.)

The Litigation Division also represented the OCC in an action brought by the state of Connecticut challenging as illegal branching the provision of messenger services by a national bank. The trial court ruled that when a bank employee received funds from the customer at the customer's place of business, a branch banking activity occurred even though the employee was specifically stated to be the agent of the customer and the funds were not credited to the customer's account until the messenger delivered the funds to the bank's teller. *Brown v. Clarke, et al.*, No. B-88-120 (D. Conn.)

Finally, in the permissible activities area, legal opinions by employees of the OCC that national banks may act as agents in the sale and underwriting of title insurance resulted in a lawsuit pending in the district court in Texas. *American Land Title Association v. Clarke*, No. A87-CA-408 (W.D. Tx.). Also pending in the insurance area is a case seeking to overturn OCC's approval, under 12 U.S.C. 92, of U.S. National Bank of Oregon's proposal to sell insurance anywhere from a bank subsidiary in a town or less than 5,000. *Nat'l. Ass'n. of Life Underwriters, et al. v. Clarke, et al.*, Nos. 86-3042, 86-3045 (D.D.C.)

The Litigation Division also participated in cases concerning merger and other corporate approvals. In *Washington, et al. v. OCC, et al.*, No. 87-8912 (11th Cir.), the court affirmed a lower court decision holding that OCC did not abuse its discretion in deciding to deny a hearing to a community group seeking to challenge a merger under the Community Reinvestment Act. In ruling for the OCC, the court found that the Office has discretion to limit public hearings on proposed mergers, and that the OCC's regulations defining the circumstances that will warrant the holding of a public hearing are valid. The court found the decision to deny the hearing was the product of careful consideration and, therefore, would not disturb the decision.

Recently, in *Bloomington National Bank et al. v. Clarke, et al.*, No. IP 87-636-C (S.D. Ind.), the court found that a corporate reorganization or a national bank based on a reverse stock split violated the National Bank Act. In a transaction designed to vest entire ownership of the subsidiary bank in the parent bank holding company, the bank engaged in a series of transactions including the reduction of par value of outstanding shares, a reverse stock split and the purchase of the resulting fractional shares by the bank. The court found that the purchase of the fractional shares violated 12 U.S.C. 83.

The Litigation Division, as in past years, also devoted a large percentage of time to testimony and document production requests under 12 C.F.R. 4.19.

Enforcement and Compliance

The Enforcement and Compliance Division, in conjunctions with the Districts, is principally responsible for recommending administrative actions in appropriate cases and for representing the Office in presenting and litigating these actions in administrative hearings and, when necessary, in United States courts of appeal and district courts. In addition, the division is responsible for generally advising senior officials of the agency regarding legal issues in connection with the bank supervision process.

During 1988, the OCC issued 117 Commitment Letters, 10 Memoranda of Understanding, 63 Formal Agreements, 25 Cease and Desist Orders, and 29 Removals and 121 Civil Money Penalties. In addition, the OCC commenced 130 formal administrative cases in 1988 and completed 129.

With respect to the administrative cases it handled, the division held 23 prehearing conferences and conducted 12 formal administrative hearings. Four of the hearings involved removal actions, three involved civil money penalties and one involved revocation of a bank's trust powers. Four of the cases have been decided in final, three are awaiting a recommended decision from the Administrative Law Judge and five are awaiting final decision from the Comptroller or the Board of Governors of the Federal Reserve System.

During the year, the division worked closely with representatives of the Department of Justice Interagency Bank Fraud Working Group (BFWG). This effort included significant sharing of information among the supervisory agencies and, consistent with the provisions of the Right to Financial Privacy Act, communication with and criminal referrals made to the Department of Justice. Further, the division participated in the promulgation of guidelines for compliance with the Bank Bribery Act developed by the BFWG. The BFWG has had considerable success in improving the level of coordination and cooperation between the financial institutions regulatory agencies and the Department of Justice. In addition, the BFWG has been used as a model for many other groups organized at the local level and is being expanded to reach each federal jurisdiction. In a specific effort to assist in bank fraud investigation and prosecution, the division detailed an attorney to assist a United States Attorney's Office in a major bank fraud case resulting from an examination and a criminal referral made by the OCC.

The OCC also worked closely with the BFWG in pressing for important changes to the Right to Financial Privacy Act. As part of the Anti-Drug Abuse Act of 1988, Congress passed an important exemption to the Act which now permits disclosure in a criminal referral to the Department of Justice by banks or the agencies of specific customer related information without having to notify the customers involved.

The OCC, along with the other financial institutions regulatory agencies, proposed various enforcement related legislative changes to Congress to strengthen the agencies' enforcement powers. These proposals included provisions to:

- authorize the agencies to issue civil money penalties for violations of written conditions;
- permit issuance of cease and desist orders requiring restitution for losses resulting from violations of law;
- allow for the issuance of a temporary cease and desist order when a bank has incomplete or inaccurate books and records;
- make the ground for removal actions set forth in different parts of 12 U.S.C. 1818 uniform;
- provide for all removals to be industry wide and not restricted simply to all commercial banks or to all thrift institutions;
- clarify the agencies' authority to remove an individual even after he or she has left or has been fired from an institution; and
- expand the penalty for allowing an individual convicted of an offense involving dishonesty or breach of trust to serve in a bank without agency permission to include the individual as well as the bank.

The OCC separately sent a proposal to Congress which would authorize the agencies to issue civil money penalties for unsafe and unsound banking practices and breaches of fiduciary duty. In addition to proposing

and supporting the above mentioned legislative changes, the division has played a major role in responding to a recent Congressional inquiry into "Fraud, Abuse and Misconduct in the Nation's Financial Institutions."

The offshore shell bank unit of the division worked throughout the year with local, national and international law enforcement authorities. This included providing information and expert testimony. The division continued to alert the banking industry to the existence of fraudulent and questionable practices in this area.

Securities & Corporate Practices

The Securities & Corporate Practices Division is responsible for providing legal advice to the Office and the public on provisions of the federal securities and national banking laws, including the Glass-Steagall Act, relating to bank securities-related activities, as well as provisions of the national banking laws affecting capital structure, corporate practices and collective investment activities of national banks. The division administers and enforces the federal securities laws affecting national banks with publicly traded securities, including the Securities Exchange Act of 1934 (Exchange Act) and the Comptroller's Securities Exchange Act Disclosure Rules, 12 C.F.R. Part 11. The division also administers and enforces the Comptroller's Securities Offering Disclosure Rules, 12 C.F.R. Part 16, which apply to national banks making public and private offers and sales of their securities. Further, the division administers the Office's enforcement program as it relates to bank securities activities, including violations of the federal securities laws involving bank municipal and government securities dealers, bank transfer agents, the Change in Bank Control Act of 1978 (CBCA), and other bank securities activities involving violations of the federal securities and national banking laws. The division also provides interpretive advice on the CBCA. Finally, the division is responsible for acting as liaison with federal and state securities regulatory agencies, including the Securities and Exchange Commission (SEC).

During 1988, the division was involved in activities and projects involving all of its major program responsibilities. The division continued to provide advice and opinions on the securities-related activities of national banks under the Glass-Steagall Act and other national banking laws. The division participated in OCC's issuance of its decision affirming the authority of Chase Manhattan Bank, N.A., under 12 U.S.C. 24 (Seventh), to offer a non-transferable time deposit paying interest at a rate based in part upon changes in the Standard & Poor's 500 Composite Stock Index, consistent with the requirements of the Glass-Steagall Act. It also continued to review numerous offering circulars, abbreviated information statements, notices of nonpublic offering, registration statements, annual and special meeting proxy materials, tender offer and beneficial ownership materials, periodic reports and other reports required to be filed with the Office pursuant to the Comptroller's various securities disclosure rules and merger application procedures.

The division also issued several interpretive letters concerning the construction of its securities responsibilities. For example, the division provided its opinion that a foreign bank issuing subordinated debt through its federal branches must comply with 12 C.F.R. 16 disclosure requirements.

The division participated in the review of securities disclosure documents relating to the equity capitalization and asset disposition plans of First City Bancorporation of Texas and Mellon Bank Corporation. In connection with these reviews, the division participated in the consideration and approval of applications for the formation of "liquidating banks," the sole function of which would be to liquidate the problem assets of the holding companies' subsidiary banks. The division also considered and provided advice regarding complex issues of bank corporate law raised by novel provisions in the articles of association of the liquidating banks.

The division also issues banking bulletins relating to its responsibilities. Banking Bulletin 88-28 disclosed the Office's internal securities enforcement policy and outlined how the agency uses its enforcement powers for preventive, remedial and/or disciplinary purposes.

In the securities enforcement area, the division pursued several enforcement proceedings. For example, in December 1988 the OCC entered into formal agreements with First Bank, N.A. of Minneapolis and First Bank, N.A. of Milwaukee, for failing to implement internal controls to ensure that private sales of asset-backed securities complied with the federal securities laws.

During 1988, the division conducted formal investigations and informal inquiries into possible violations of the federal banking and securities laws by national banks and persons participating in the conduct of affairs of national banks, including formal investigations into allegations of Exchange Act and MSRB rule violations involving national bank municipal securities dealer departments. The division also makes referrals to the SEC involving possible violations of the securities laws and regulations. Further, the division participated in the consideration and approval of access requests by the SEC and state securities regulators.

The division, during 1988, continued its efforts in developing proposed revisions to regulations relating to national bank securities activities, including the Office's offering disclosure, trust, merger, and enforcement regulations. The division continued to provide advice and guidance in

the interpretation and enforcement of the CBCA and assessed a civil money penalty against an individual who failed to disclose a previous conviction and suspended sentence in his Change in Bank Control Act Notice.

Legal Advisory Services

The Legal Advisory Services Division provides legal advice and opinions to the examining, policy and administrative divisions of the OCC, its district and field offices, national banks, attorneys, and the public. During 1988, the division provided legal advice regarding financial products and services offered by national banks and the customer markets they serve. It also rendered legal advice relating to the assistance of troubled and failing institutions. Among the significant projects worked on are the following,

Corporate Transactions

The division provided legal assistance and support to the Bank Organization and Structure Department as well as to OCC's Policy Group on a wide range of proposed corporate transactions. Significant transactions included:

- The federally assisted recapitalization plan for First City Bancorporation of Texas, Inc., including establishment of the first *de novo* distributive bank.
- Acquisition of the insolvent Texas banking subsidiaries of First RepublicBank Corporation by NCNB Corporation, including creation of the bridge bank through which NCNB Corporation's federally assisted acquisition occurred.
- Establishment by Mellon Corporation of the first distributive national bank created under circumstances not involving a federally assisted recapitalization plan.
- Numerous cross-county branch applications filed with OCC as a result of the previously approved Deposit Guaranty decision, including approvals issued in Florida.
- The acquisition of a national trust company by a nonbank national bank which became a bank under the grandfather provisions of the Competitive Equality Banking Act (CEBA).
- The relocation for a grandfathered nonbank bank in context of CEBA restrictions against grandfathered entities increasing the number of their locations.

Expansion of Bank Activities

The division, in response to requests from national banks, rendered legal advice regarding a variety of financial products and services. This includes advice which:

- Permits a consortium of banks to join a limited partnership to make EFT payments of health insurance claims, including incidental transmission of treatment information from health care providers to health insurance carriers.
- Permits banks to purchase "split dollar" life insurance as part of compensation of bank officers or directors.
- Permits a bank that is a government securities dealer to purchase stock in the Government Securities Clearing Corporation, a user-owned corporation which performs services for such dealers.
- Permits banks to purchase Federal Agricultural Mortgage Corporation (Farmer Mac) stock in nominal amounts, since purchase is necessary to participate in the Farmer Mac secondary loan market.
- Permits banks to purchase a subordinated, convertible debenture which would not ordinarily qualify as an investment security, when it is a step toward acquisition of control of the issuer rather than a passive investment.
- Authorizes a bank operating subsidiary to buy and sell foreign currency in the spot and forward markets, and buy and sell over-the-counter (OTC) foreign currency options.
- Authorizes a bank operating subsidiary to engage in arbitrage of instruments related to T-bills, T-notes, GNMA obligations, CD's Eurodollar time deposits, other interest-rate-denominated instruments; act as a floor trader in interest-rate-denominated futures and options; and act as a market maker in interest-rate-denominated options.
- Authorizes a bank operating subsidiary to engage in personal property lease financing pursuant to newly enacted authority in section 108 of the Competitive Equality Banking Act of 1987, 12 U.S.C. 24(10).
- Permits a bank operating subsidiary to engage in the business of purchasing and reselling participating mortgages, *i.e.*, loans in which a portion

of the interest, but not principal, is contingent upon success of the borrower's enterprise.

- Permits banks to perform title searches and surveying work in conjunction with real estate loans.

- Permits a bank operating subsidiary to "securitize" consumer loans, *i.e.*, purchase loans from the bank and sell them to a trust which issues bonds evidencing an ownership interest in, or which are secured by, such loans.

- Permits a bank operating subsidiary to issue and privately place commercial mortgage pass-through certificates.

- Permits a bank operating subsidiary to issue mortgage pass-through certificates and CMOs on mortgages purchased from unrelated banks.

- Permits a bank discount brokerage operating subsidiary to purchase and sell publicly offered real estate limited partnership interests for customers, on an agency basis.

- Permits national banks to be holders of certificates of participating interest in a trust created to provide electronic data processing service on a cooperative basis to member financial institutions.

New Regulations

The division participated in the drafting of several important regulations, either as proposals for comment or as final rules. These include:

- Amendments to the Office's investment securities regulation, 12 C.F.R. 1.

- Amendments to OCC Interpretive Ruling 7.8000 concerning bank service charges.

- A proposed rule governing certain equity investments in subsidiaries authorized by statute.

- The Final Guidelines on Risk-Based Capital (published on January 27, 1989).

- A regulation revising and clarifying OCC policies with respect to declaring and paying dividends by national banks.

- A regulation that addresses lease financing transactions authorized by Section 108 of the Competitive Equality Banking Act.

- Amendments to the Adjustable-Rate Mortgage regulation, and consolidation of the regulations on real estate lending by national banks, at 12 C.F.R. 34. (Final Rule published March 11, 1988.)

- A Temporary Rule revising the definition of a "contractual commitment to advance funds" for the purpose of national bank lending limits. (Temporary Rule published June 24, 1988.)

- A regulation revising the OCC's regulation on national bank lending limits, at 12 C.F.R. 32.

The division also provided comments to other federal agencies regarding proposed regulations which affected financial services offered by national banks. These included a proposed regulation of the Federal Reserve Board concerning state bank operating subsidiaries, and a proposed rule of the Commodity Futures Trading Commission on hybrid financial instruments.

During the year, the division provided legal support to the OCC's program for national bank investment in community development corporations; provided legal services to OCC in the areas of personnel, procurement, EEO, and financial matters; and prepared rulings on appeals submitted under the Freedom of Information Act.

Paralegal Unit

The division's paralegal specialists continued to provide valuable services in the consumer and other areas. This included reviewing and responding to consumer complaints relating to national banks and providing assistance to the attorneys within the Law Department. During 1988, the unit received 662 complaints and closed 659. The paralegal unit coordinates the statutory updates for inclusion in the *Comptroller's Manual for National Banks*.

Legislative and Regulatory Analysis

The Legislative and Regulatory Analysis Division (LRAD) has four basic functions. It provides legal advice to OCC officials on pending legislation that may affect the OCC or the national banking system; it acts as counsel to the Comptroller in agency administrative enforcement proceedings; it administers OCC's ethics program; and it analyzes OCC regulations and policies for compliance with various legal requirements imposed by statutes and Executive Orders.

During 1988, LRAD's legislative work covered a variety of topics, principally those appearing in the major banking bills on Glass-Steagall Act reform and financial modernization. The prospects for enactment of major legislation appeared favorable early in the second session of the 100th Congress when the Senate passed a bill

that could have served as a tribute to retiring Senator Proxmire, the Chairman of the Senate Banking Committee. That bill, S. 1886, represented a major reversal in Senator Proxmire's long-standing position against Glass-Steagall reform. Unfortunately, even though the House Banking Committee reported H.R. 5094, the House was unable to vote on any companion bill because of a jurisdictional struggle between the Banking and Commerce Committees.

LRAD attorneys prepared briefing materials, participated in the formulation of the agency's position on legislation, and assisted in the preparation of the Comptroller's testimony before Congress. In addition to Glass-Steagall reform, the topics covered included the condition of the national banking system, Community Reinvestment Act amendments, home equity loan consumer protection, Truth-in-Savings, government check cashing, credit card disclosure, reform of the consumer divisions of the federal bank regulatory agencies, bank insurance activities, enforcement authority, conservatorship amendments, Right to Financial Privacy Act amendments, streamlining of national bank corporate reorganizations, federal employee leave transfer and liability reform, and amendments to the Depository Institutions Management Interlocks Act.

As counsel to the Comptroller in administrative enforcement proceedings, LRAD attorneys advised the Comptroller and drafted orders in motions for public hearings and drafted final decisions in numerous cease and desist and civil money penalty actions.

During 1988, LRAD provided assistance in the development of 18 *Federal Register* rulemakings and notices. The Division also guided the preparation of 13 Paperwork Reduction Act review requests (for forms, reports, surveys, rulemakings, etc.) and 12 Executive Order 12291 review requests (for rulemakings only). The most significant rulemakings related to risk-based capital (12 C.F.R. 3), assessment of fees (12 C.F.R. 8), and disclosure of financial and other information by national banks (12 C.F.R. 18). In addition, many technical changes were made to update and clarify OCC regulations.

At the end of 1988, there were approximately 22 rulemakings under development, including a proposal to interpret new lease financing authority provided to national banks by the Competitive Equality Banking Act of 1987, a revision of the lending limits regulation (12 C.F.R. 32), a proposal to amend 12 C.F.R. 9.10 on uninvested or undistributed cash in fiduciary accounts, and a revisioin of OCC's Rules of Practice and Procedure governing administrative hearings (12 C.F.R. 19).

The division also prepares the annual Information Collection Budget and the Seminannual Agenda of Regulatory Actions.

LRAD is responsible for the administration of OCC's Conflict of Interest Policies and the Treasury Department's Minimum Standards of Conduct. In this connection, LRAD reviews all Confidential Statements of Employment and Financial Interests filed annually by Washington-based personnel. The division also promotes compliance with ethics standards and conflict of interest laws.

Legislative and Public Affairs

Banking Relations

The Banking Relations Division acts as liaison with bankers, state bankers associations, banking trade groups, and state bank supervisors.

The division provides advice and counsel to the Comptroller and senior policymakers and is responsible for identifying proposed regulatory and industry actions that relate to Office activities. The division formulates specific approaches for ensuring that OCC's position is presented and appropriate information is disseminated.

The division recommends new policies, concepts and procedures to guide OCC in its relationship with the banking industry. It prepares and directs the preparation of a broad variety of briefing materials for use in meetings with OCC officials and banking industry groups. It also assists with the preparation of testimony or presentations for the Comptroller and senior officials.

The division is responsible for developing and maintaining state-by-state indepth analysis of all banking legislative and major issues, including existing, proposed and potential legislation.

Communications

The Communications Division provides information and publications services. Information services include press

releases, responses to press inquiries and general inquiries relating to the agency's mission, and handling requests under the Freedom of Information and Privacy acts.

The Director of Communications serves as liaison between the Comptroller and the press. News releases are issued on significant OCC actions and on testimony before Congress by the Comptroller and OCC staff.

In addition to producing OCC publications, the division also maintains subscription lists for major publications. The division issues and maintains banking and examining issuances, interpretive letters and administrative directives. In addition, the division produces the *Quarterly Journal*, the newsletter *SuperVisions* and compiles the *Daily News Digest*.

Under the authority delegated by the Comptroller, the division is responsible for making initial determinations on requests for records of the OCC under the Freedom of Information Act and the Privacy Act of 1974. In 1988, 1,806 such requests were processed.

Customer and Industry Affairs

The Customer and Industry Affairs Division is the liaison between the OCC and bank customer groups, as well as the insurance, real estate, and other nonbank financial industries. The division provides analysis, advice and counsel to the Comptroller and senior policymakers and is responsible for identifying proposed regulatory and other actions that relate to office activities. The division recommends new policies, concepts and procedures to guide the OCC in its relationships with bank customer groups and nonbank financial industries. It maintains a monitoring system to help division staff identify and report on external environmental factors/risks. The division also manages the OCC's Community Development Corporation (CDC) Program and coordinates the OCC's consumer affairs activities (except for consumer complaints, which are handled by the Consumer Activities Division).

During 1988, the division continued to improve the lines of communication and dialogue between the OCC and community, consumer, small business, insurance and real estate groups.

The division maintained regular contact in 1988 with 59 bank customer groups representing consumer, community, small business and government interests and 6 nonbank industry groups. Division staff participated in 16 conferences of these groups. Regular reports were made to the Comptroller and senior management on issues and trends which had implications for national banks and their customers. The Customer and Industry Affairs Division Director, Associate Director and staff were speakers or panelists at 9 bank customer group conferences/forums throughout the year. These educational forums provided an opportunity for the OCC to give regular feedback on its regulatory initiatives and to respond to issues of interest to the members of these organizations. The division also provided technical assistance to OCC district and field offices in their establishment of bank customer group outreach programs.

As part of its liaison and outreach functions, the division planned and held a National Bank Customer Groups Key Issues Meeting in late November 1988. The meeting brought together the Comptroller, senior OCC staff and representatives of over 20 nationally based organizations representing consumer, community, civil rights, housing and state and local government interests. The meeting was intended to inform the groups about OCC initiatives in response to trends and issues affecting the national banking system and to provide the groups an opportunity to discuss key issues and concerns related to banking and bank supervision directly with the Comptroller and Policy Group. A summary of the meeting will be provided to the participants and national banks in early 1989.

During the year the division continued to enhance the OCC's Community Development Corporation (CDC) Program. More than 120 CDC inquiries were handled and technical assistance was provided to 26 national banks that were considering establishing CDCs. The division made recommendations which led to the approval of 2 new CDCs and 5 investments in community development projects. These CDCs and investments were primarily created for the purpose of providing low or moderate income housing.

Education for bankers about the OCC's CDC program was continued in 1988. A publicaiton summarizing the 1987 "CDC Conference for Financial Institutions" was written, printed and distributed to more than 2,000 bankers, customer groups, and others.

The division held a roundtable, "Bank Financing of Community Business Development," for 65 bankers and OCC policymakers. The roundtable focused on bank efforts to serve community businesses, particularly those owned and operated by minorities and women or those located in distressed areas. Small business group representatives talked about challenges and opportunities for banks in working with these customers and bankers detailed seven specific approaches to promote healthy growing businesses. A publication summarizing this roundtable was provided to more than 2,500 bankers and others actively involved in promoting small business and community business development.

Finally, the division continued to provide staff support to the Comptroller in his capacity as a statutory member of

the board of directors and vice chairman of the Neighborhood Reinvestment Corporation (NRC), continued as the agency's liaison with the Department of the Treasury Consumer Affairs Council, and continued as the OCC's representative to the Securities and Exchange Commission's Executive Committee on Small Business Capital Formation.

Congressional Liaison

The Congressional Liaison Division is responsible for this Office's relations with Members of Congress, Congressional committees, subcommittees, and staffers.

The division provides analysis, advice, and counsel to the Comptroller and senior OCC policy makers on Congressional activities which affect or could affect the OCC, the national banking system, or the financial services marketplace. It also offers guidance on potential Congressional reaction to OCC actions.

As part of its responsibilities, the division maintains regular contact with Members, committees, subcommittees, and staffers to further communication and understanding and to ensure that OCC's interests are represented.

The division is the focal point for all Congressional inquiries, including requests for testimony, staff studies, or other support. It assists in the preparation of testimony, comments, briefings, and staff studies relating to Congressional actions, as well as responses to constituent inquiries.

Finally, the division provides other necessary liaison and information services relating to Congressional and legislative matters.

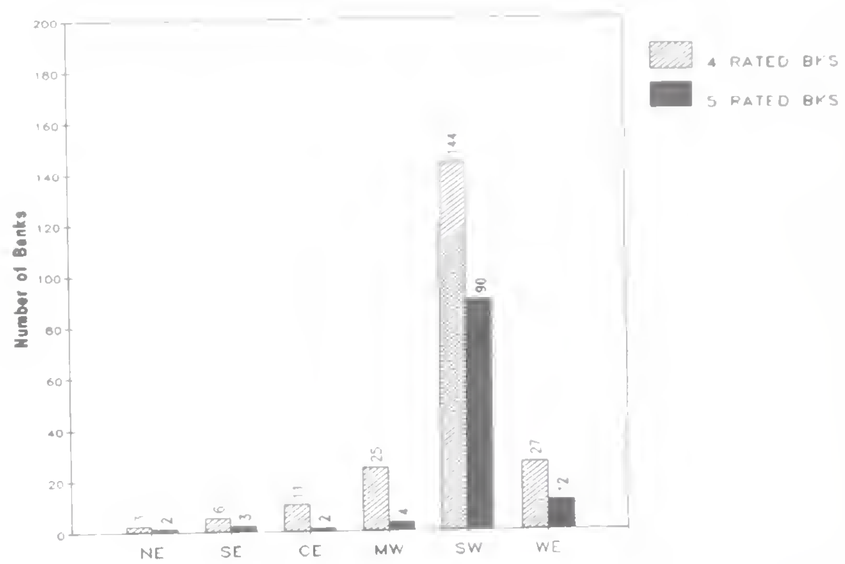
Special Supervision and Enforcement Activities

OCC Special Supervision Division personnel in Washington and the six District Offices are the focal point for supervision of community banks which require increased supervisory attention.

The Enforcement and Compliance Division of the Law Department, together with District Counsel, is principally responsible for representing the Office in presenting and litigating administrative actions.

Because the OCC often initiates enforcement actions against banks requiring special supervision, the two divisions work together closely. The following provides information on national bank failures, and summarizes enforcement actions taken during 1988.

PROBLEM BANKS BY DISTRICT



Source: Special Supervision

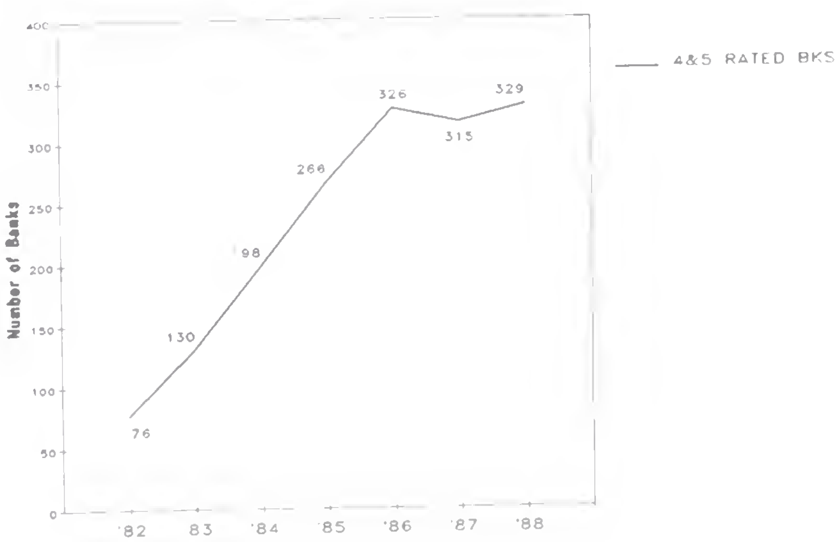
Problem National Banks

Although the number of problem national banks reached a new high at the end of 1988, the number has been relatively constant since 1986. (Banks are assigned ratings on a scale of 1 to 5; banks in the most critical condition are rated 5.) The majority of problem national banks are located in the economically depressed southwestern United States. The OCC's Southwestern District has approximately 70 percent of the nation's problem banks. The number of problem banks in the remainder of the country declined from 122 to 95 during 1988, reflecting improved economic conditions and a more stable banking environment.

Although the outlook for 5-rated national banks is generally not good, not all of them fail. The following chart shows the number rejuvenated through capital injections, financial assistance from the Federal Deposit Insurance Corporation (FDIC) under Section 13(c) of the Federal Deposit Insurance Act, administrative remedies, and efforts by management and the boards of directors.

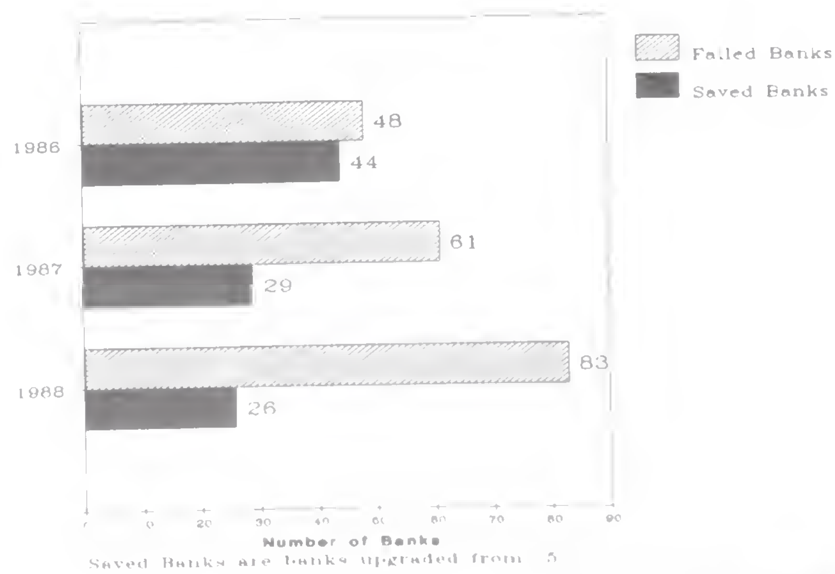
During 1988, innovative solutions by both regulators and interested buyers of troubled banks became increasingly necessary, particularly in the economically depressed areas of the country.

PROBLEM NATIONAL BANK HISTORICAL TREND LINE



Source: Special Supervision

FAILED BANK / SAVED BANK COMPARISON

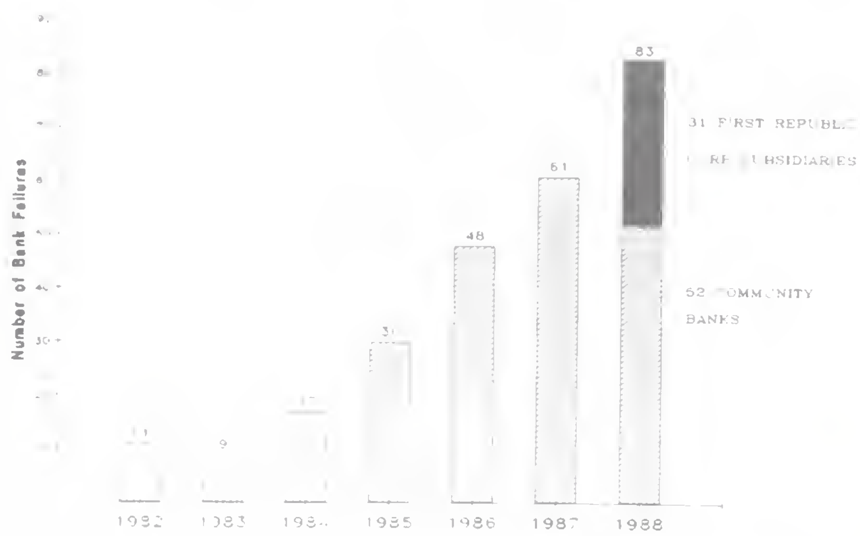


Source: Special Supervision

National Bank Failures

National bank failures have increased steadily since 1983. The overall number of critical banks and resulting failures during 1988 reached a new high. Fifty-two community national banks failed during 1988. Thirty-one additional First RepublicBank Corporation subsidiary national banks also failed which brought the number of national bank failures to a post-Depression record. The 200 total bank failures in 1988 is another post-Depression record.

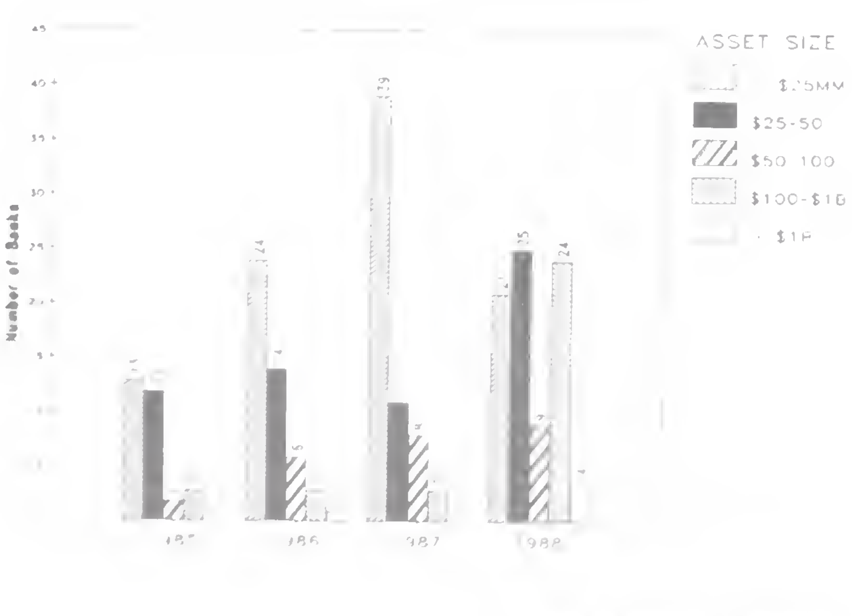
NATIONAL BANK FAILURES



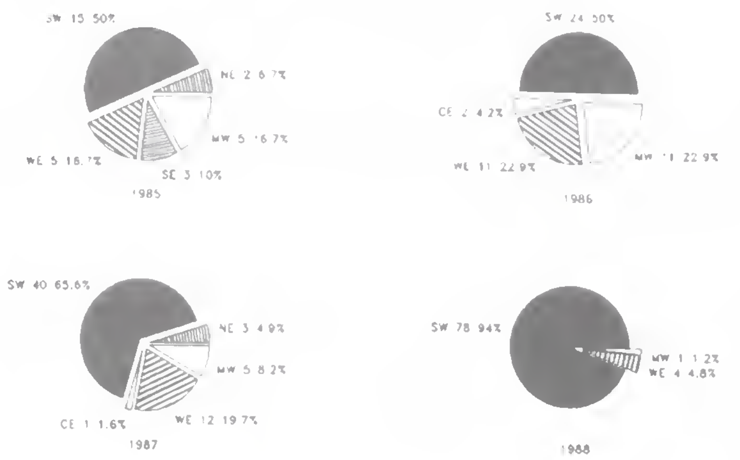
Source: Special Supervision

The failure of the First RepublicBank Corporation subsidiaries also affected the statistics on size of failed national banks. In previous years, most failed national banks had less than $25 million in total assets. In 1988, the national bank failures were more evenly distributed by asset size. The most failures occurred in banks with $25 to 50 million in total assets, followed by failures of banks with $100 million to $1 billion in total assets.

FAILED NATIONAL BANKS
BY ASSET SIZE



NATIONAL BANK FAILURES
BY DISTRICT



Source: Special Supervision

Nearly all national bank failures were in the OCC's Southwestern District, since most problem banks are located in that area. Texas had nearly all the national bank failures (71) and Oklahoma had the next highest total (4.)

Advisory Letters

The OCC recently issued two advisory letters dealing with situations which contributed to the failure of national banks. The first dealt with change in bank control schemes. The situation which prompted the issuance of the advisory letter involved a group attempting to take control of a bank by purchasing the owner's bank stock loan from the lending bank. The required change in bank control application was never filed. The group quickly made unauthorized, illegal wire transfer and cashier's check transactions which caused great loss to the bank. Two national banks involved in this scheme failed in 1988.

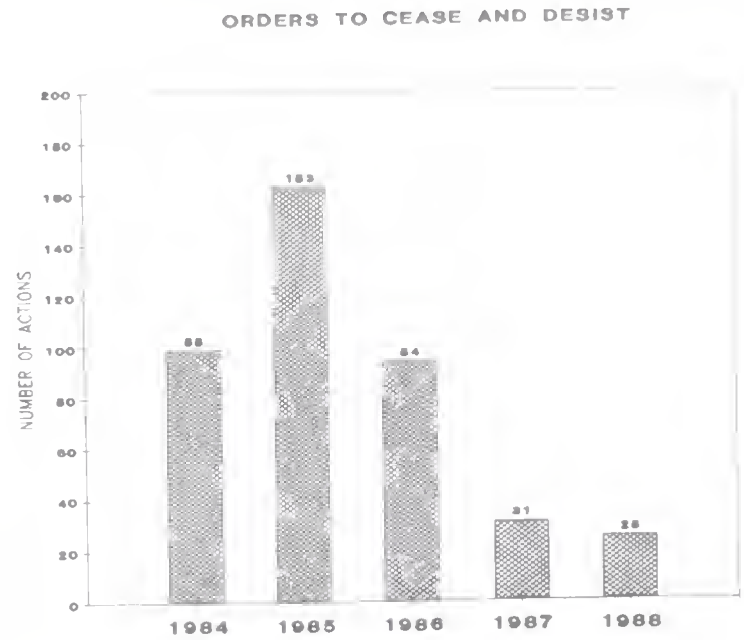
The advisory letter draws attention to the fact that the acquisition of bank stock through loan foreclosure may not be exempt from the prior notice requirements of the Change in Bank Control Act. There is no exemption if the loan is in default when acquired, if the loan was made or acquired with the intent to obtain the stock, or if the foreclosed bank stock was purchased.

The second concerned fraudulent municipal lease transactions. Activities in the scheme which prompted this advisory letter included discounting the same lease at more than one institution, pledging leases which had been previously sold or paid off, misrepresenting the ownership of leases, and making payments to conceal default by the obligor. A number of national banks became involved in this scheme. One bank has failed due, in part, to this involvement and the solvency of another is jeopardized

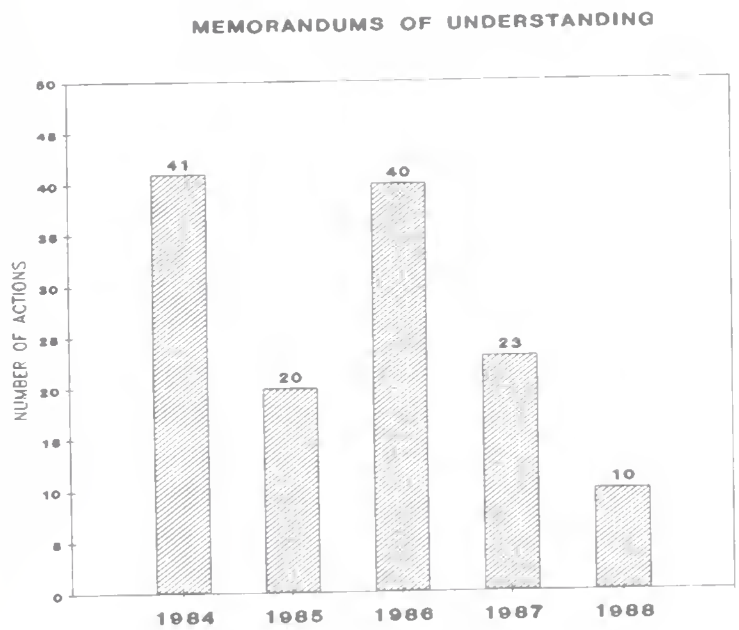
Enforcement Actions

In 1988, the Office revised its Enforcement Policy to include guidelines on public disclosure of enforcement actions. This policy has been adopted to formalize the method by which an enforcement action would be made public. In making an administrative action public, the OCC would generally weigh the benefits of educating the public, protecting the bank's customers, and preventing future problems against the potential for harm caused by public disclosure.

The number of new administrative actions taken in 1988 has declined over the past 2 years. The OCC believes that the decline is a result of several factors, including the reduction in the number of new problem banks (except in the Southwestern District).

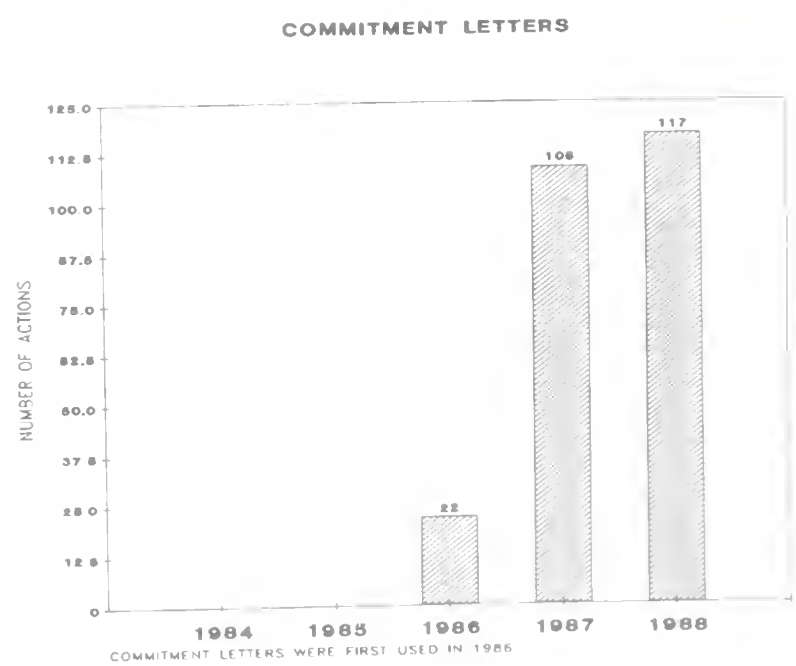


Source Districts

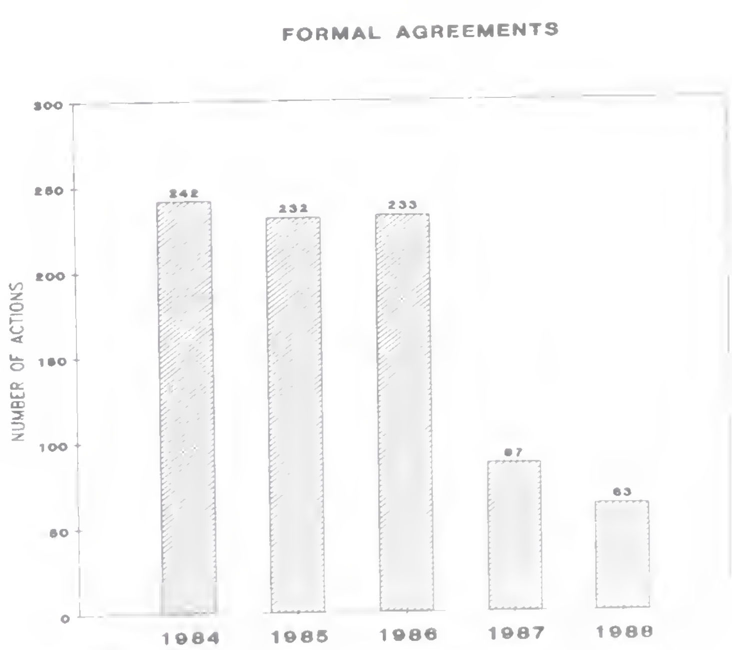


Source Districts

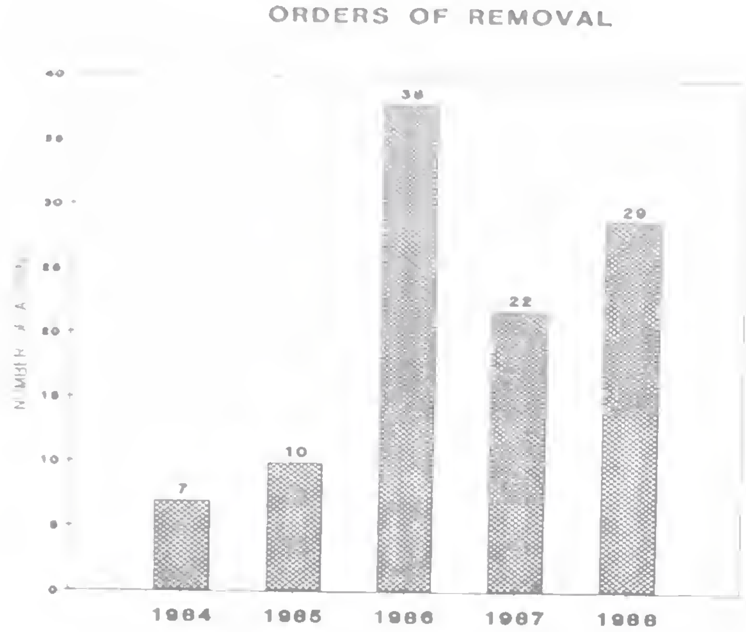
Another reason for the decrease is that some supervisory problems which previously would have been handled through administrative action were handled less formally. An example is a signed commitment letter which represents a pledge by the board of directors to take corrective action to address problems cited.



Source Districts

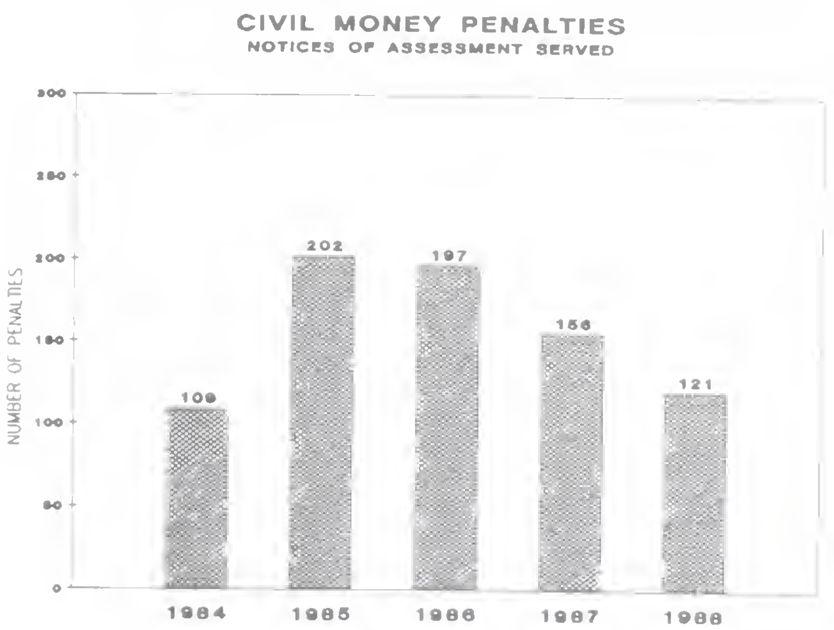


Occasionally, the OCC is compelled to order the removal from banking of bank officers and directors who have violated the law and/or acted in an unsafe and unsound manner. Twenty-nine orders of removal were issued in 1988, an increase of 32 percent over 1987



Source Chief Counsel

A civil money penalty can effectively deter, or encourage corrections of, violations of laws, regulations, and cease and desist orders. Such a penalty may deter similar violations both by the persons against whom the penalties were assessed and by other banks and bankers. There was a slight decline in assessments served in 1988.



Source Chief Counsel

Several of the OCC's recent enforcement cases are described below. These cases have been chosen because they represent the types of actions taken by the OCC in response to serious violations of law, insider abuse, or unsafe and unsound conduct which significantly affected the condition of the bank.

In a civil money penalty and removal action, the former senior lending officer and cashier of a national bank was removed from banking and ordered to pay $100,000 civil money penalty for violations of the bank's lending limit. The respondent violated both civil and criminal banking laws by taking part in a massive fraud scheme involving the granting of large loans to either fictitious borrowers or actual borrowers who had no knowledge of the transactions. Information about these loans was deleted from the loan lists submitted for board of director approval. Losses from these loans were the primary cause of the bank's failure.

Another civil money penalty removal action resulted in the former president of a national bank being removed from banking and ordered to pay a $5,000 civil money penalty. An examination of the bank identified an improper lending relationship between the respondent and a borrower in which the respondent allowed extensive overdraft allowances to be carried by the borrower, who was already liable on two non-performing loans in excess of $200,000. The overdrafts, non-performing loans, and other borrowings of the borrower combined to exceed the bank's legal lending limit. In addition, it was learned that the respondent had altered certain bank records to conceal his involvement with the borrower.

The president of a national bank issued five letters of credit on behalf of two directors. He did not record the letters, violating 12 U.S.C. 84 and 375b. The existence of the letters of credit did not come to the bank's attention until two were presented for collection. The losses incurred on these letters of credit caused the bank's failure. An issued notice of assessment became a final order of assessment of $100,000 against one director when he failed to answer the notice or request a hearing. The U.S. Attorney was granted a motion for summary judgment on the penalty. The Board of Governors of the Federal Reserve System issued an order of removal against the same director due to his failure to answer the notice of intention to remove. The president and remaining director each agreed to a removal from banking and payment of civil money penalties of $25,000 and $10,000, respectively.

The former vice-president and cashier of a national bank was indicted for conspiring to defraud the United States and for violating the Bank Secrecy Act. He deposited approximately $1,000,000 in the national bank and later wired the money to other banks without filing the necessary currency transaction reports. The respondent received a percentage of the funds deposited in the national bank in return for his participation in this activity. The respondent ultimately pleaded guilty to one count of conspiracy and one count of knowingly structuring cash transactions for the purpose of evading the reporting requirements of the Bank Secrecy Act. After notification of his indictment and guilty plea, the OCC issued an order of removal against the respondent.

Removal action was taken against the former president of a bank for a series of nominee loans he made for his own benefit. The administrative law judge recommended

that the individual be removed even though the loans were relatively small and there was no loss to the bank. The case is currently before the Federal Reserve for final decision.

A cease and desist action was taken against a bank for numerous violations of a written agreement, unsafe and unsound banking practices and the payment of an illegal dividend. The administrative law judge issued a favorable recommended opinion and the matter is currently before the Comptroller for final decision.

A cease and desist proceeding was taken against a bank for violations of 12 U.S.C. 84, due to excessive loans to an Indian tribe, and for various unsafe and unsound banking practices, including high levels of classified loans and an inadequate allowance for loan and lease losses. The administrative law judge issued a favorable opinion on all matters except for the violation of 12 U.S.C. 84. The case is currently before the Comptroller for final decision.

In conjunction with the Securities and Corporate Practices Division, the Enforcement and Compliance Division conducted an investigation of a bank president who was using bank funds to purchase bank stock from shareholders who wanted to sell their stock so that it would not be sold to certain other parties. The stock was later resold, sometimes at a loss to the bank. A civil money penalty and removal action is being recommended based on the investigation.

Another investigation was conducted into the activities of a president and majority shareholder. The case involved a series of nominee loans which enabled the president to, in effect, pay off his delinquent loans for the stock of two national banks and retain control over the banks.

A public removal hearing is scheduled for the end of February based on a series of loans approved by the president of the bank in violation of 12 U.S.C. 84. The loans all went to one individual, often through companies or ventures owned and controlled by that individual. The losses associated with these loans contributed to the failure of the bank.

A removal action was taken against the president of a bank for nominee loans, overdrafts and check kiting. The Federal Reserve issued a final order of removal and the case has been appealed to the Circuit Court of Appeals.

Recent Corporate Decisions

On October 7, 1988, the Office conditionally approved the merger of the trust operations of Maryland National Bank and American Security Bank, National Association. The resulting trust institution will be operated as an operating subsidiary of American Security Bank. The Office concluded that the national banking statutes do not prohibit a national bank from owning a national trust company as an operating subsidiary. Approval was conditioned upon initial capital being at least $5 million.

Also on October 7, 1988, the Office conditionally approved a request from a bank in less than satisfactory condition to issue mandatory convertible preferred stock. The Office's conditions for approval were that: (1) the bank not declare or pay a dividend on the proposed issuance until the bank's capital was brought into compliance with an outstanding enforcement order, (2) the cumulative dividend feature be eliminated from the proposed issuance and (3) the shareholders, not the board of directors, set the terms of the preferred stock.

On October 13, 1988, approval was granted to Citibank (South Dakota), National Association, Sioux Falls, South Dakota, to acquire the credit card receivables of the Delaware Bridge Bank, National Association, Newark, Delaware. This was the former credit card bank of First RepublicBank, which was closed by the Office on August 2, 1988. Acquisition of the receivables was consummated on October 31, 1988, at which time the Delaware Bridge Bank went into voluntary liquidation.

On October 17, 1988, the Office granted preliminary approval to a charter application from ITT Corporation, Minneapolis, Minnesota, to establish a credit card bank under the provisions of the Competitive Equality Banking Act of 1987 (CEBA). The bank is to be located in Portland, Oregon. On September 15, 1988, the Office approved a related application to establish a similar bank in Cincinnati, Ohio.

Also on October 17, 1988, the Office denied an organizing group's request that the Office reconsider the disapproval of their charter application. The bank charter was denied on August 30, 1988, due to a weak operating plan. Reconsideration of the Office's decision was not granted because the organizers failed to demonstrate that the disapproval of the application was the result of an error in the Office's procedures as required by 12 C.F.R. 5.13(d).

On October 19, 1988, the Office granted conditional preliminary approval to a *de novo* liquidating bank, Grant Street National Bank, Pittsburgh, Pennsylvania, a subsidiary of Mellon Bank Corporation. The liquidating bank was authorized to open for business on October 20, 1988. The decision was precedential because this was the first liquidating bank to be chartered outside an emergency or failing bank situation.

On October 21, 1988, the Office granted conditional preliminary approval to the conversion of First Midwest Bank/Seneca, Seneca, Illinois, to a national bank and the purchase and assumption of its assets and liabilities by First Midwest Bank/Illinois, N.A., Joliet, Illinois. The approval allowed the applicant to keep the converted charter as an "inactive charter" to be used by the holding company at a later date. However, in order to ensure the Office maintained supervisory control over the reactivation of the charter, the approval was conditioned upon the "inactive charter" relinquishing its FDIC insurance. In addition, before the charter is reactivated, the holding company must submit a new operating plan to the Office and the Office must re-certificate the bank for FDIC insurance. The approval also stipulated that if the "inactive charter" was not reactivated within 18 months, the Office may appoint a receiver to complete the liquidation process.

On November 8, 1988, the Office approved a charter application for Pasadena National Trust Company, Pasadena, California. This was the first national trust company to be approved by the Office under the provisions of the Competitive Equality Banking Act of 1987.

On November 11, 1988, the Office denied a Change in Bank Control notice from a Texas group, even though the group had already acquired the bank's stock. The acquisition was denied because the group failed to demonstrate the necessary financial capacity to support the capital needs of the bank. The Office also was concerned with the character and competence of the individuals because of the manner in which they acquired the bank's stock. The group gained control of the bank by purchasing a defaulted bank stock loan and then foreclosing on the loan. They immediately took control of the bank and dismissed the existing board of directors. Following denial of the notice, the individuals turned the bank over to the Office and the bank was subsequently closed.

On November 15, 1988, the Office conditionally approved a bank's request to issue mandatory convertible preferred stock, or perpetual preferred stock in the event the mandatory convertible stock did not receive the necessary

shareholder approval. Because the bank had a negative undivided profits position and could not support the additional interest expense, both issuances were conditioned upon the bank not declaring or paying a dividend until the bank: (1) achieved and maintained a substantive level of compliance with all articles of an outstanding enforcement order, (2) achieved and maintained a certain level of operating performance, and (3) received prior approval from the Southeastern District Office.

On November 22, 1988, the Office denied a charter application to establish a full service community bank in White Plains, New York. The organizers' financial commitments were extremely limited, indicating a lack of commitment to the proposed bank. In addition, the operating plan was vague and unsupported, and the proposed chief executive officer lacked the required banking experience to guide a viable *de novo* bank in a highly competitive market.

On December 12, 1988, the Office conditionally approved five branch applications from a Georgia bank in conjunction with the bank's proposal to merge with a savings and loan association. The applicant proposed to retain the S&L's head office and four branches as branches of the resulting institution. The approvals were conditioned upon the applicant receiving the necessary approvals from the FDIC, the FHLBB, and the State Banking Department of Georgia.

Also on December 12, 1988, the Office invoked the emergency provision under 12 U.S.C. 1828(c)(4) and (6), allowing the merger application from two midwestern banks to be processed under reduced time frames. The public comment period was reduced from the normal 30-day period to 10 days, and the minimum waiting period after approval for consummation of the merger was reduced from 30 to 5 days. Since the target bank was considered to be in imminent danger of failure, the need for expedited processing was justified.

On December 16, 1988, a bank in less than satisfactory condition was granted approval to issue preferred stock to insiders in exchange for a 70 percent interest in the bank's head office building (the bank owned approximately 30 percent prior to this transaction). The approval was conditioned upon the bank obtaining a second independent appraisal on the bank building. The mortgage on the building, which was held by a partnership of insiders, was seriously past due and foreclosure had been threatened. By acquiring the building, bank management hoped to avert adverse publicity and a potential liquidity crisis that could have resulted from foreclosure.

On December 22, 1988, the Office approved a branch application from a nonbank bank that was grandfathered under the Competitive Equality Banking Act (CEBA). The applicant proposed to establish a branch primarily to serve the bank's local community in response to CRA criticisms expressed by the Office. Before filing the application, the bank's principal business was based on nationwide solicitation of accounts by mail. Since the applicant is a grandfathered nonbank bank, the Office's approval letter reminded bank management of the "new activity" restrictions applicable to CEBA-grandfathered banks.

On December 29, 1988, the Office declared an emergency with respect to a merger application filed by two Texas banks. Since the target bank was in imminent danger of failing, the need for expedited processing under the provisions of 12 U.S.C. 1828(c)(4) and (6) was justified.

On December 30, 1988, the Office granted preliminary approval to the charter application for Theodore Roosevelt National Bank, Washington, DC. The organizers proposed to establish a full service independent bank in the downtown financial area of Washington. The bank intends to serve the banking needs of commuters and provide low- to moderate-income housing financing, particularly FHA.

Finally, below is a table of all cross-county branch applications filed with the Office as a result of the earlier Deposit Guaranty decision:

State	Received	Approved	Denied
Alabama	2	0	0
Florida	12	12	0
Georgia	1	0	1
Indiana	1	0	0
Kansas	1	0	0
Kentucky	1	0	0
Louisiana	22	22	0
Mississippi	2	2	0
Missouri	2	0	0
New Mexico	1*	0	0
Oklahoma	3	0	0
Tennessee	19	19	0
Texas	6*	6	0
Wisconsin	2	0	0
TOTAL	75	61	1

*Includes a corporate reorganization.

Change in Bank Control Act

The Change in Bank Control Act of 1978 requires parties seeking control of a bank or bank holding company to obtain approval from the appropriate federal banking agency before the transaction occurs. Under the Act, the OCC is responsible for reviewing changes in the control of national banks. In doing so, it must review the financial condition, competence, experience, and integrity of the acquiring party; it must consider the effect on the financial condition of the bank to be acquired; and it must determine the effect on competition in any relevant market.

Public notice of each proposed change in control is published in the newspaper of largest general circulation in the community in which the national bank's home office is located. In addition, the OCC assesses the qualifications of each party seeking control, and routinely investigates and verifies information contained in each change in control notice.

In 1988, the OCC established extensive guidelines for conducting background investigations of parties seeking control. The procedures were developed in cooperation with the other financial institution regulators on the Federal Financial Institutions Examination Council (FFIEC). New forms and internal procedures were developed to support the investigation and verification process.

As shown in the table below, the OCC acted on 42 proposed changes in control of national banks in 1988. The OCC consented to 34 proposals, 4 were disapproved, and 4 were withdrawn by the filer(s) prior to decision. Consistent with the Office's experience in previous years, disapprovals resulted from unsatisfactory financial condition or unacceptable experience, integrity, or competence of the acquiring party.

Total CBCA Notices Processed, 1984 to 1988

Year	Acted On	Not Disapproved	Disapproved	Withdrawn
1988	42	34	4	4
1987	60	41	8	11
1986	71	54	4	13
1985	102	74	12	16
1984	86	75	5	6

Community Reinvestment Act

The OCC is required by the Community Reinvestment Act (CRA), 12 U.S.C. 2901, *et seq.*, to include in its annual report to Congress a section outlining the actions it has taken to carry out its responsibilities under the Act. The purpose of the Community Reinvestment Act is to require the OCC to encourage national banks to help meet the credit needs of the local communities in which they are chartered to do business. The OCC is required, in connection with its examination of a bank, to assess the bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation and to take the record into account in its evaluation of applications for deposit facilities.

The OCC carries out its responsibilities under the Community Reinvestment Act, in part, through its Compliance Program. In 1988, the OCC completed its first full year using this new program for promoting compliance with law. The Community Reinvestment Act, fair lending and consumer protection laws, bank secrecy, electronic data processing activities, bank securities dealer activities, regulatory reports, fiduciary activities and affiliate and insider transactions are currently included in the program. The program's basic premise, to promote compliance with law as a management responsibility, is achieved through a number of interrelated components.

The first component of the Compliance Program is to conduct thorough examinations of selected national banks. The largest national banking companies are examined biennially. A random sample of community banks is examined each year. The uncertainty associated with being selected in the sample is a significant incentive for compliance. The focus of the examination is an assessment of the bank's efforts to ensure compliance with law and to help meet local credit needs.

Another component of the program is to inform bank management of its compliance responsibilities. In 1988, the OCC issued numerous bulletins and advisories related to compliance, including 17 related to consumer issues. In addition, the staff of the Consumer Activities Division provided speakers for approximately 33 training sessions sponsored by national and state trade associations and financial institutions. A significant amount of this training time was devoted to CRA.

Another component involves developing more efficient ways of allocating examination resources. A substantial amount of information has been collected through the compliance program. The information is now being analyzed statistically with the goal of identifying information that might predict performance. Reports on the results of the statistical analysis will be made available in 1989.

Supervisory Efforts

Banks are assigned a CRA rating based on the results of an examination. The ratings range from 1 to 5 with a 3-rating indicating a less than satisfactory record of helping to meet local credit needs. A 5-rating represents a substantially inadequate record of helping to meet community credit needs. In 1988, the CRA performance of 1,088 national banks was assessed. Eight-two received CRA ratings of 3, 4 or 5.

Pursuant to the law, the OCC must consider the CRA performance of national banks when evaluating their corporate applications. There were no CRA protests of the over 2,300 CRA-related applications received in 1988. The OCC may condition its approval of bank's corporate application on specific requirements to strengthen CRA performance. The OCC believes that the use of conditional approvals is more effective than denial of applications in securing such improvement. During 1988, the OCC approved 12 applications conditioned on strengthening CRA performance. Three of the applications (received in 1987) were subject to CRA protests. There were 19 denials of CRA-related corporate applications, none of which were denied for reasons relating to CRA.

Other CRA Related Activities

The OCC's Consumer and Industry Affairs Division also encourages banks to help meet local credit needs through an ongoing program of activities to increase the industry's sensitivity to customer and community needs. Their activities during 1988 are summarized elsewhere in this issue.

Consumer Complaints

The Federal Trade Commission Act of 1975 (15 U.S.C. 41, *et seq*) requires the Office of the Comptroller of the Currency (OCC) to receive and take appropriate action upon complaints directed against national banks and to report to Congress on these activities annually. The attached table summarizes the types of complaints received and their resolution.

During 1988, the OCC received 13,374 written consumer complaints against national banks, a 3 percent decrease from 1987. By January 30, 1989, 94 percent of these complaints had been resolved. The average resolution time in 1988 was 32 days compared to 35 days in 1987. As a result of OCC's efforts, 1,268 national bank customers received reimbursements totaling $865,612 and corrective action was initiated on 352 apparent violations of law identified through the complaint process.

Loans continued to be the largest category of complaints, accounting for 47 percent of the total complaints resolved. Credit cards are involved in 59 percent of the loan complaints. The next largest category, equal to 17 percent of the total complaints, involved deposits. Checking or NOW accounts were the subject of 59 percent of the deposit account complaints. Complaints about trust and securities were about 5 percent of the total complaints. No other category of complaints was equal to 5 percent of total complaints.

Consumer Complaints, 1988
(Written Complaints Received and Resolved)

Resolution	*Deposits*	*Equity loans*	*Credit cards*	*Other loans*	*EFT*	*Trust and investment securities*	*All other*	*Total*
No reply necessary	105	3	112	67	9	24	75	395
Bank error	386	8	372	295	26	96	57	1,240
Bank legally correct	1,108	45	1,670	945	42	273	264	4,347
Communication problem	158	8	193	148	17	35	51	610
Referrals to other agencies	66	0	62	53	2	16	1,676	1,875
Information provided	206	3	357	140	15	52	495	1,268
Settled by mutual consent	263	3	303	273	34	54	80	1,010
Violation of law	14	2	273	35	22	0	19	365
Factual dispute	352	3	123	221	61	80	56	896
In/For Litigation	232	4	42	169	11	71	84	613
Total	2,890	79	3,507	2,346	239	701	2,857	12,619

Average Resolution Time 32 Days

Pending at Year-End 755

Speeches and Congressional Testimony

Remarks by Robert L. Clarke, Comptroller of the Currency, before the Association of Bank Holding Companies, Washington, D.C., November 17, 1988

It is no secret that you can look at most things in more than one way.

Consider the fellow whose friend was so successful in business that he was opening up a new branch office. He decided to send his friend a floral arrangement for the grand opening. When he got to the celebration, he was shocked to find that the wreath that was delivered bore the inscription: "Rest in peace." He was angry. He was so angry, in fact, that on the way home he stopped at the flower shop to complain. As he was berating the florist for the error, the florist stopped him and said: "Wait a minute. Just look at it this way: Somewhere in the land today a man was buried under a wreath that said 'Good luck in your new location.'"

Yes, you can look at most things in more than one way.

But as a bank supervisor charged with maintaining the national banking system's safety and soundness, I operate under an exception to that rule. When I look at any banking activity, my job requires me to weigh it against an all-important consideration, its likely effect on bank safety and soundness. In doing so, I often am reminded of the popular quotation: "History repeats itself, first as tragedy, then as farce."

When we witness people unconsciously and unwittingly making mistakes, we feel sorrow, both for them and for the human condition. But when we see people replicating the well-known mistakes that others made earlier, we sense that something ridiculous is occurring. Unfortunately, the ridiculous occurs all too often. Thus the popularity of: "History repeats itself, first as tragedy, then as farce."

That quotation is often attributed to Karl Marx. Oscar Wilde, too, has been frequently noted as its source. I've also heard it connected to the name "Yogi Berra," but I think that strains credulity. Whoever first said it, said it well, if fatalistically. Consider the statement's implications: It goes far beyond the sentiment expressed in the equally popular quotation "those who do not remember the past are condemned to repeat it," because it argues that we cannot learn from past mistakes, that we are doomed to repeat them.

I don't believe that is the case — necessarily. Just as I don't necessarily believe a similar sentiment underlying the current joke: "What's the difference between banks in Texas and banks in the rest of the country?" The answer: "Four years." However, there is just enough bite in the popular quotation and in the current joke for both to be profound and funny. True, people have both the intelligence and the freedom necessary to prevent the tragedies of the past from recurring.

Bankers, for example, have both the intelligence and the freedom necessary to prevent uncontrolled real estate lending from ravaging their institutions, the same type of uncontrolled lending that brought many Texas bankers down.

In both the general and particular cases, the potential to avoid past mistakes is there. Will it be realized? No necessarily. Because along with intelligence and freedom something else is needed to avoid the mistakes of the past. This third element is the power of will. And — historically — this third element, will power, has been noticeably absent.

By now you're probably asking yourselves: What prompted Bob Clarke into this philosophical meditation and seemingly dark mood? Well, several weeks ago I was home in Texas talking to one of my old friends, a banker of many years experience. And I asked him: "How would you and your colleagues have reacted if we had come in, say in 1982, and told you that we were concerned over the way you were expanding, that we saw problems ahead in your major lending areas and that it was time to focus on the fundamentals — to manage conservatively — to shift from expanding your loan portfolio to improving asset quality — to build in a cushion — a margin of error?"

I know you all remember that 1982 was a great year for Texas banks. Four of the top five performing banking companies in the U.S. were based in Texas. Indeed, there was talk that Texas banks were no longer the potential targets for takeovers by larger banking companies, talk that their capital bases were so large and were growing so quickly that they soon would become the hunters, not the hunted.

So my question to my friend was really this: "How would you have welcomed advice from Doctor Doom when you thought you were living in the best of all possible worlds? And he replied: "We would have been gracious and hospitable while you visited with us; and we would have had quite a laugh at your expense when you were gone. Mightily deflated, I asked: "We would have been wasting our time?" And he said: "Not in the least. Of course we would have said to ourselves: what makes these guys think that they are so smart? Why do the regulators always come in and pour cold water on us? We would have done that. But that shouldn't deter you. Part of your job is to make us think about what we would do if a problem developed in our market. "We don't necessarily have to believe

that a disaster will occur" he siad "But part of your job is to convince us that a disaster might occur and to persuade us to have a contingency plan should it occur."

Well, needless to say I was feeling much better until I asked him. "And bankers will be convinced?" And he replied "Some will, some won't."

Over the last several weeks, we at the OCC have asked ourselves an important question: Do bankers have the will to discipline themselves, to do the right things and do them right, to impose upon themselves the policies and systems of control needed to identify and to manage risks, when they are faced with the temptation of extraordinary, and the potential of extraordinarily profitable, development of real estate in the markets they serve? Obviously, at least in retrospect, they didn't in Texas.

But Texas was, in a sense, uncharted territory. The circumstances bankers ultimately faced there were different from anything they had faced before.

That is history. And tragic history, indeed. More important for us today is the question: Is history repeating itself as farce? Let's look at the evidence.

Last April and May, the OCC conducted a special, detailed review of commercial bank lending in 13 of the largest regional banking companies in the United States, banking companies outside the devastated Southwest, banking companies represented by this association and banking companies represented here today.

Our review covered the adequacy of the banks' lending policies and their systems to assess and to control present and future risks. These banks were chosen for special analysis because they, in some measure, evidenced known weaknesses: loan growth rates, levels of risk, product lines, preponderance of lending in softening markets, and so on. I must emphasize, however, that none of the banks in our review are currently experiencing any significant difficulties.

The good news is that our intensive review failed to uncover an unusually high level of problem loans or any significant deteriorating trends in the banks — now.

The bad news is that a number of banks demonstrated weaknesses in policies and in control systems that could cause problems in the future, particularly if economic problems were to develop.

As I stressed, our examinations focused on policies, practices, systems and controls, and were basically broken down into several areas of the lending process: management, supervisory and internal monitoring processes, underwriting standards, appraisal processes, economic market analyses, control systems, quality of documentation, portfolio condition, future strategies.

What did our examination find? What did we conclude? Many weaknesses existed in the policies and control systems of the companies we reviewed. If these weaknesses are not reversed, if improvements are not made, we believe these weaknesses portend significant potential risks to the companies. And we believe those risks, in turn, would become greater if the performance of the general economy were to decline.

We found that a few, but far from a majority, of the banks we examined had systems in place that were, in our opinion, inadequate to effectively identify and manage their commercial real estate lending risks. And some banks, we concluded, were assuming increased levels of risk due to weaknesses in these control systems and the use of underwriting standards that were less stringent than those used in the past.

Furthermore, we found that many banks were operating under very general statements of policy without specific standards built in to adequately control risk. For example, only one bank among the 13 monitored and tracked policy exceptions. As a result, it would be difficult for those people at the 12 other banks, the banks that did not track exceptions, who were responsible for approving and implementing policies to determine whether actual lending practices conform to bank policy. And this task would be especially difficult at those banks that did not even document policy exceptions, and there were some.

Broad policies and underwriting standards were intended to provide management and loan officers flexibility, but we concluded that their effect was to reduce discipline and accountability for specific loan decisions.

We found that few of the banks have adequate controls in place for directors or senior management to know whether actual lending practices meet the requirements outlined in bank policies. And we found that, while management reports were generally adequate, most banks needed improvement in monitoring the geographic distribution of loans and product lines in the portfolio.

Furthermore, in many multi-bank systems, policies and practices were not uniform at subsidiary banks, thus making corporate control of risk far more difficult. And in some unit banks, standards and practices differed among regions and branches.

In addition to general policies, we reviewed underwriting standards, and here, too, we found matters of concern. Most bankers reported that competitive pressures have not caused a lowering of underwriting standards except in the area of pricing. However, the number of policy

exceptions we found, as well as practices such as deficiencies in appraisals and market analyses, in our judgment suggests otherwise.

As I noted before, many banks had informal underwriting standards rather than written policies. Some standards have become fairly liberal when compared to historical practices. For example, equity standards have been liberalized over the years, and a few of the banks we analyzed sometimes failed to require any invested equity in their financed projects.

Guaranties were almost always required, although several companies provided some non-recourse financing. But while guaranties were required, many banks did not maintain adequate financial analysis of the guarantors.

Problems with appraisals were also evident. We found that most of the banks we analyzed had inadequate or deficient appraisal policies regarding the reappraisal process, discounted cash flow analyses; write downs; and substantiation of capitalization and discount rates. And few of the banks had adequate independence built into the appraisal process. Loan officers themselves often prepared appraisals without adequate independent verifications. The banks often accepted appraisals ordered by the borrorwer rather than controlled through the bank. And bankers conceded that accepting borrowers' appraisals was one result of intensified competition.

None of the banks — that's right, none of them — had formal policies and procedures governing reappraisals. And most of the banks did not have adequate procedures in place to document the validity of the assumptions on which the appraisals were based.

We found other problems in one final technical area: documentation. Documentation quality was mixed. Several banks had significant problems in development and maintenance of documentation standards, and in the tracking of exceptions to those standards.

On top of these technical problems, we found substantive problems, too. For example, some banks had large concentrations of loans to a relatively small number of developers and were thus particularly vulnerable to a downturn in the economy, even though the borrowers themselves are now considered top-tier. And one banking company was projecting a 32 percent growth rate in real estate loans this year, while another was projecting 30 percent growth — high growth rates by anyone's measure.

Now I'm not here today to suggest that banks should stop making commercial real estate loans. Far from it. Leased-up, market-priced commercial real estate has traditionally been a safe investment and a good inflation hedge It can be good business.

I'm not here today to suggest that banks stop making these loans, but I am here today to suggest that banks take a close look at how and where they are making them. I would hate to see bankers outside of Texas make the same mistakes that Texas bankers made in regard to real estate development there several years ago. The old saying is: We learn from others' mistakes. But what we should be learning is how to avoid them, not how to replicate them. Those mistakes are, at bottom, managerial mistakes, managerial in the sense of process, managerial in the sense of maintaining control.

How do bankers maintain control? The experts agree: Bankers should know the condition of borrowers and thus the condition of loans. Bankers should know the condition of their markets. Bankers should know what to do if a problem occurs. And bankers should have the capacity to take the actions necessary to solve those problems. That's how a banker maintains control, and none of that is in any way controversial.

You've heard me and my colleagues say the same thing before. You've heard me say it personally in reference to the OCC's study this year on the causes of bank failures over the last decade. You've heard, or read, OCC officials say the same thing in reference to leveraged buyout financing. And today you've heard me personally say the same, simple, hard, things in regard to commercial real estate financing.

We performed our special assessment of real estate financing as part of our overall effort to identify factors that might contribute to future problems of the banking system as a whole. And it is a part of our effort to take preventive action before problems develop.

We are working and will continue to work with the 13 banking companies we reviewed to ensure that the weaknesses we uncovered will be corrected. By the same token, we've made public the general results of our review today to advise other banks of the dangers they may be exposed to.

There is an old saying: "If you hear the roar, the artillery shell won't hit you." We roar a good deal to warn banks to seek shelter. And I want to stress that we are not asking bankers to take heroic measures. Far from it.

I first discovered what a heroic measure was when I was in the Army. A Marine Corps detachment was sent to the army base I was serving at for some airborne training A young lieutenant, a friend of mine, was put in charge of the Marines. He explained to them that the plane would come over at about eight hundred feet They would jump

and then would assemble and rendezvous with other forces in the area. When he finished, the Marines went into a kind of huddle. Pretty soon, the Marine sergeant went up to the officer and said: "Lieutenant, could the plane maybe come over a little lower — say, at about five hundred feet?" Well, said the lieutenant, no, it couldn't, because the parachutes wouldn't have time to open. The Marine sergeant's face brightened at this news and he turned to his men and yelled: "Good news, guys, they're giving us parachutes."

No, no one expects banks to take heroic measures, but we do expect bankers to know the terrain on which they fight, to have a realistic strategy, to be fluent in tactical maneuvering, to ensure that their troops know what their orders are and how to follow them.

No one expects bankers to take heroic measures; indeed, we would like to see that everyone has a parachute, a means of escape should things start to get rough. And — to stretch this analogy just a little bit more — if a banker intends on being a high flyer, he or she better have a detailed flight plan, complete with alternate routes and emergency landing strips. Otherwise you run the risk of crashing and burning.

Now, I'm not saying that the special examinations were performed on 13 large regional banking companies in any way gave us a picture that is representative of the industry as a whole. On the contrary, we went looking for problems. We followed pretty clear tracks. And we found the problems we were looking for. But while the picture may not be representative of the industry as a whole in a statistical sense, it's a pretty realistic portrait of a significant portion of banking, the 13 large regional companies we did review. Naturally, that is of concern to us in and of itself. Furthermore, there are likely to be similar problems elsewhere. And that adds to our concern. I hope that, if your bank is heavily involved in commercial real estate lending, it adds to your concern as well.

Perhaps the best advice I can offer is an observation made by the 19th-century theologian Bishop Butler: "Things are what they are, and their consequences will be what they will be: why should we seek to be deceived?"

Remarks by J. Michael Shepherd, Senior Deputy Comptroller, before the Bank Capital Forum 1988 "Strategic Repositioning Under the New Global Rules," Amsterdam, The Netherlands, December 5, 1988

Good morning. I am very pleased to be with you today and I am grateful to Salomon Brothers, Price Waterhouse and the Lafferty Group for the very high quality of these proceedings.

I intend to give you some background information about the condition of the United States banking system; to summarize recent problems; to describe the need for additional bank powers; and, finally, to report to you about U.S. implementation of the risk-based capital guidelines.

The United States banking system remains sound, but faces several significant challenges as we move into the 1990s, including widely disparate bank performance in various regions of the country; troubles in the savings and loan industry and the need to recapitalize its insurance fund; continued concern about the exposure of our largest banks to developing countries; and the need to modernize and eliminate our outmoded legal restrictions on product and geographic expansion.

An indication of how much needs to be done in the United States is that, while Europe is completing its grand initiative to remove national barriers to the free flow of capital and enterprise, we are still litigating whether banks should be permitted to open a new branch in another county within their home state! Consumers clearly would benefit from a wider array of products and services and greater price competition. Banks need the opportunity to diversify the risks they undertake and the profit sources they pursue.

As background to our discussion of trends and challenges in the financial system, I will first outline some data describing the condition of the national banking system in the United States. Complete annual data are only available for 1987, but I will refer to 1988 performance.

Condition of the Banking System

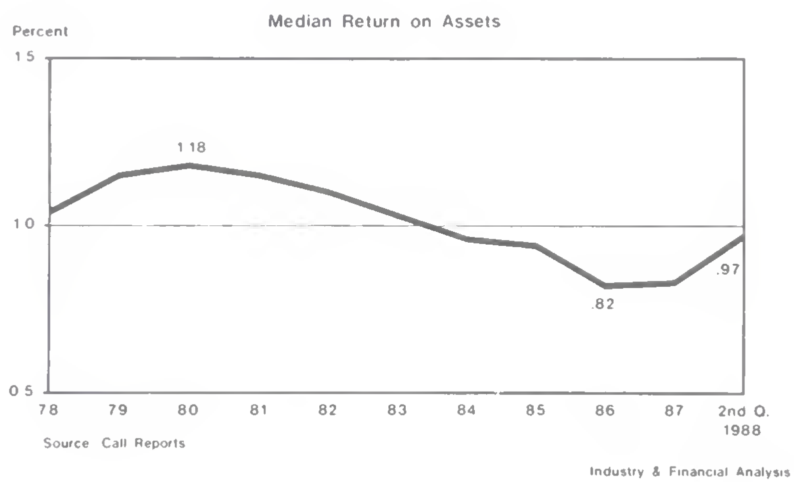
Nineteen eighty-seven was a difficult year for the banking system. Banking profits dropped to $3.3 billion, $14 billion less than 1986. With assets of nearly $3 trillion, the aggregate return on assets (ROA) for the banking system was about 0.10 percent in 1987.

Large banks, those with assets in excess of $10 billion, account for one-third of all bank assets and, therefore,

greatly influence aggregate statistics. In 1987, those banks were responsible for the substantial decline in industry earnings. In recognition of the uncertainty caused by several Third World debtors, they make sizable additions to their loss reserve, which reduced bottom line profits. As a group, these banks lost over $7 billion in 1987.

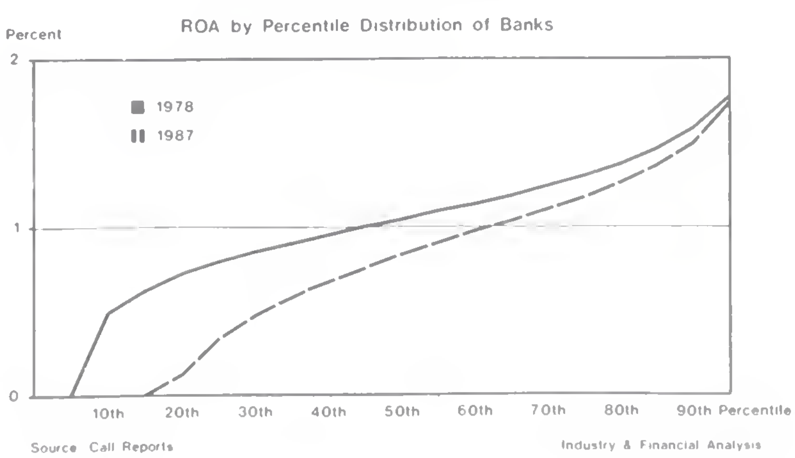
As shown in the following graph of median performance, median ROA, which is affected much less by lesser developed country (LDC) provisioning, improved slightly in 1987, following 6 consecutive years of decline, and there are signs of continuing improvement in 1988.

FOR MOST BANKS PROFITABILITY HAS STABILIZED



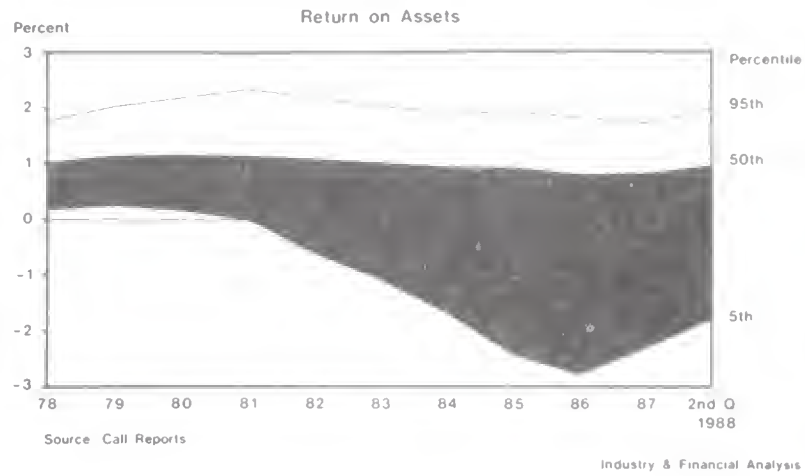
Median return on assets only provides a limited view of banking system performance, however, so we also like to report on bank ROA by percentile distribution of banks. As shown on the following graph, at all points the distribution of banks for 1987 is below that for 1978, indicating that banks are less profitable than they were 10 years ago. Approximately 5 percent of banks were unprofitable in 1978, while more than 15 percent were unprofitable in 1987. The disparity of performance is especially pronounced among banks below the median or 50th percentile. These are the banks that have suffered in recent years as deregulation has separated winners and losers and sectoral economic distress has revealed weak management.

BANKING IS LESS PROFITABLE THAN IT WAS TEN YEARS AGO



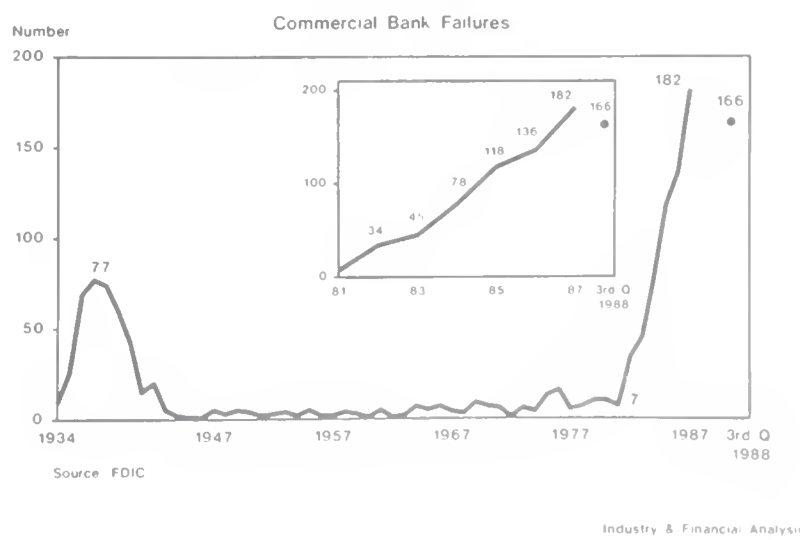
As shown in the following graph, bank performance has also become more disparate over the last 10 years. ROA declined steadily until 1987, but the real plunge occurred among banks in the lowest percentiles. However, the dispersion narrowed a bit in 1987 and mid-1988 data suggest that improvement is continuing.

PERFORMANCE HAS BECOME MORE DISPERSED



Record-breaking bank failures continued in 1987. For nearly four decades before the 1980s, banks failed at the rate of less than 10 per year. In the 1980s bank failures began to rise significantly. In 1987, 182 commercial banks failed — a post-Depression high. The relatively high failure rate continued in 1988 and by the middle of November, 179 banks had failed. That includes the 41 banks that were closed as result of the failure of First Republic.

RECORD BREAKING FAILURES CONTINUE



Three states accounted for more than half of the 182 commercial bank failures in 1987: Texas, Louisiana and Oklahoma. Furthermore, as the following map shows, the 1987 failures were concentrated heavily in the Southwest, with

Texas alone accounting for 50 bank failures, more than one-fourth the U.S. total.

THREE STATES ACCOUNTED FOR MORE THAN HALF OF THE BANK FAILURES

182 COMMERCIAL BANK FAILURES IN 1987

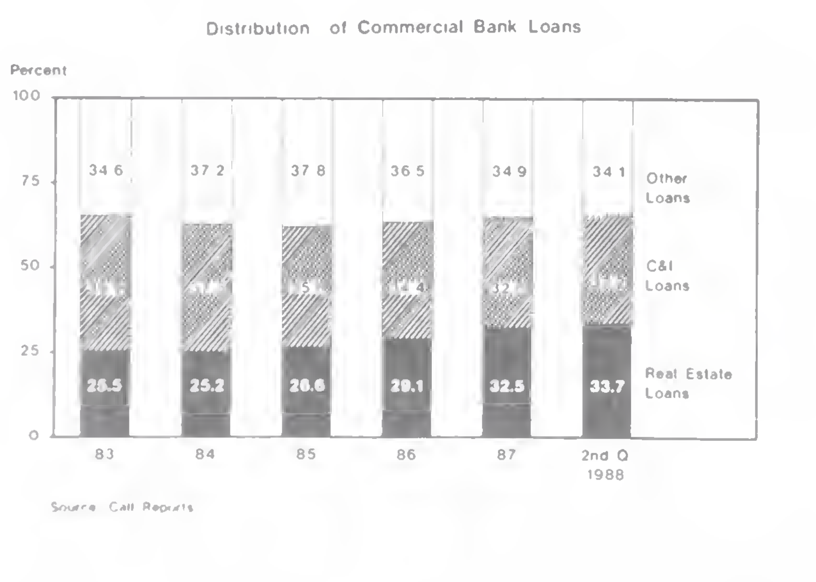
Source: FDIC

Industry & Financial Analysis

Through the first 9 months of 1988, 97 of the 179 bank failures occurred in Texas, 41 of which were the First Republic banks. The bank problems in Texas are largely tied to weak real estate markets there.

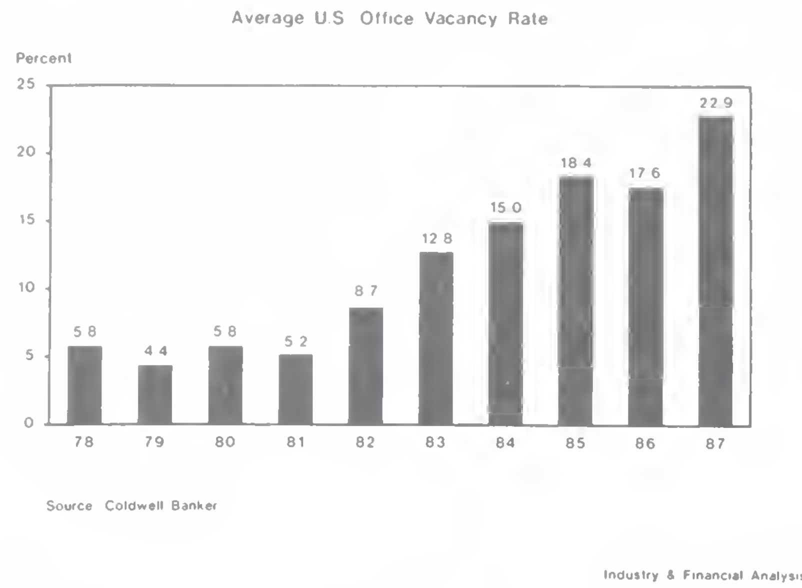
Real estate is a growing portion of commercial bank lending. At the end of 1987, real estate loans amounted to nearly one-third of bank loan portfolios. The following bar graph shows that the percentage increased slightly through the first half of 1988.

REAL ESTATE IS A GROWING PORTION OF COMMERCIAL BANK LENDING



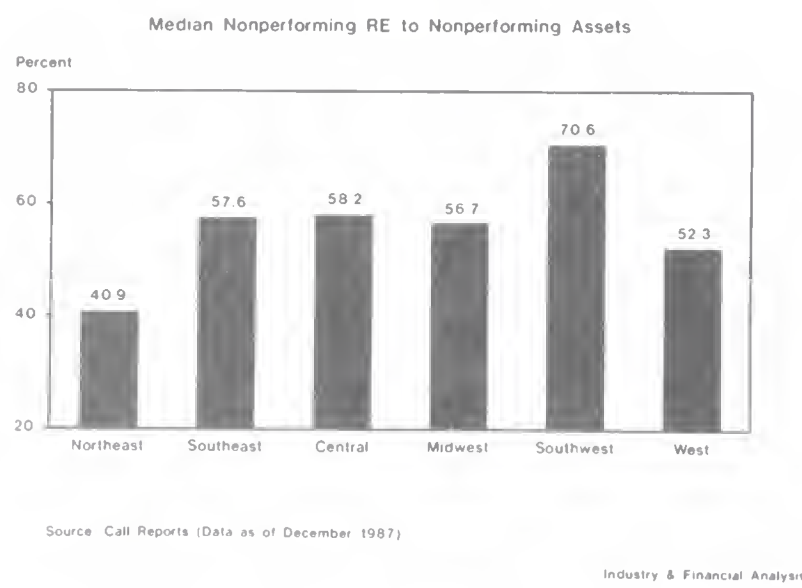
This percentage is still less than in Texas, but the growth in bank real estate lending in recent years suggests future developments warrant close scrutiny. Scrutiny is particularly appropriate since, as shown below, nearly one quarter of all office space in the United States is vacant.

NATIONWIDE NEARLY A QUARTER OF OFFICE SPACE IS VACANT



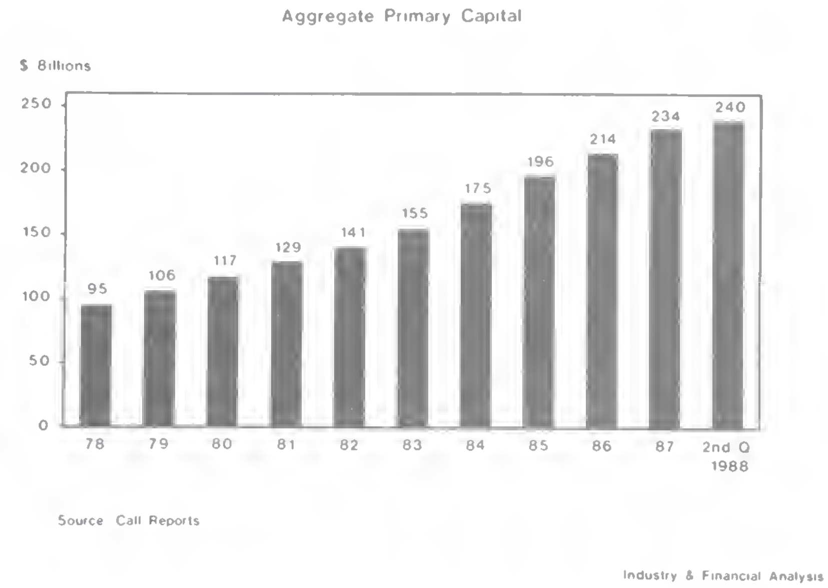
The following graph also shows that in all regions nonperforming real estate constitutes at least 40 percent of nonperforming assets, with the weakest performance in the Southwest.

THE BURDEN OF NONPERFORMING REAL ESTATE VARIES BY REGION



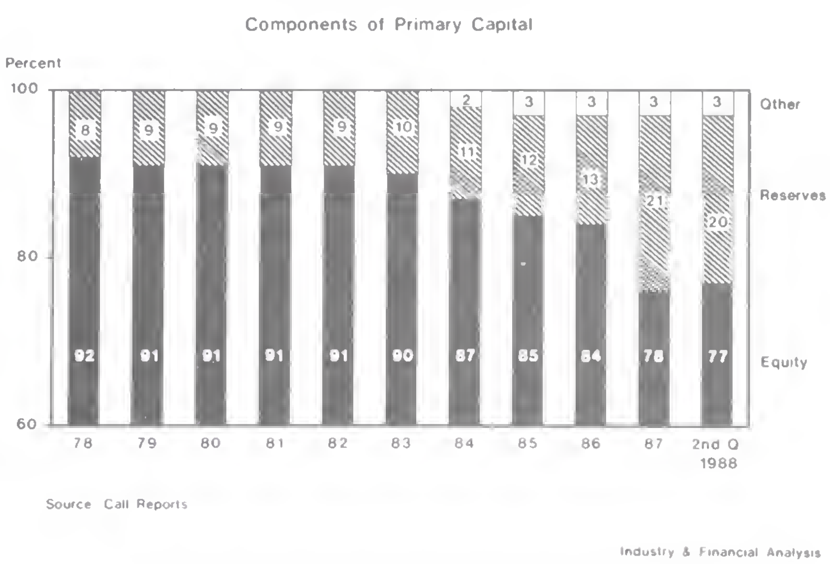
In the midst of all their problems, banks — particularly the largest ones — have added steadily to their primary capital. Banks added another $20 billion to primary capital in 1987. Another $6 billion was added to primary capital in the first half of 1988. Much of the $20 billion increase in 1987 was in the form of loan loss reserves, however. In fact, last year, equity capital actually declined as loss reserves, in light of special LDC debt provisions, rose significantly.

BANKS ADD TO PRIMARY CAPITAL



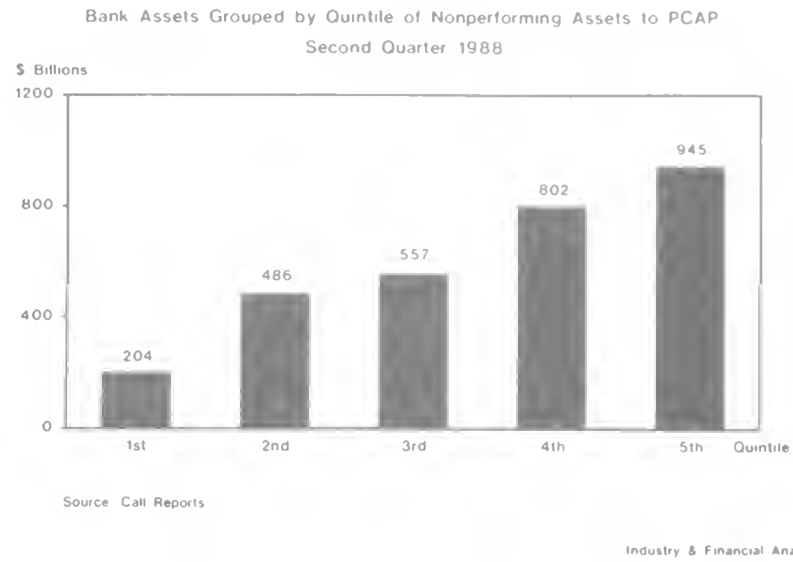
Loss reserves are a growing portion of bank primary capital. As shown in the next graph, the trend was most striking in 1987, and tends to mask the declining equity positions of many banks. There was a better balance during the first half of 1988, as equity capital edged up slightly.

LOSS RESERVES ARE A GROWING PORTION OF PRIMARY CAPITAL



Because of the growing importance of reserves, international bank supervisors have begun to limit the amount of the reserve that can be considered capital, by allowing the inclusion of only some reserves in Tier Two under the risk-based capital guidelines agreed upon in Basle. This decision is particularly significant because, as shown, the largest banks have the poorest ratios of nonperformings to primary capital. Of course, reducing reliance on loan loss provisioning will be an important result of risk-based capital.

THE LARGEST BANKS HAVE THE POOREST RATIOS OF NONPERFORMINGS TO PCAP



National bank earnings rebounded in the first half of 1988. National banks earned $4.7 billion, compared to losses of $4.9 billion in the first 6 months of 1987. The rise in income was due principally to a turnaround among the largest national banks: those with assets in excess of $10 billion. These national banks earned $1.8 billion in the first half of 1988, after losing $7.2 billion in the first half of 1987.

The LDC debt situation has left a legacy, however. At the end of last year, U.S. banks' total foreign loans were $291 billion, with $86 billion, or nearly 30 percent, owed by the LDCs. Furthermore, 80 percent of that exposure was on the books of the 22 largest banks.

Large Bank Failure Resolution

United States authorities have been called upon to resolve the failure of several large financial institutions in the last several years, including First City and First Republic in 1988. Government assistance was needed in several other situations to induce others to acquire troubled institutions. An interesting new technique was developed for these transactions: the nonperforming loans of the troubled institutions were segregated from the acquisition and spun off as liquidating banks to the shareholders of the troubled institution. This technique, pioneered in the acquisition of Texas Commerce Bancshares by Chemical Banking, has also been used in several other large transactions. In late October, the Comptroller approved the first charter of a liquidating bank by a healthy institution, not in the context of an acquisition.

New Powers

To ensure the strength of our banking system, the Glass-Steagall Act should be amended, and legislation that would rationalize the system for delivering financial services should be enacted. Financial reform will ensure that

banks have a chance to compete for a place as financial intermediaries of the future

Enhanced competition would strengthen the commercial banking system by increasing income-earning opportunities, thereby reducing bank vulnerability to economic declines. A strong banking system is in the public interest. The public interest would be best served by ensuring the fullest use of the great potential of the banking system to serve consumer needs—consistent with bank safety and soundness.

Enhanced competition provided by financial reform will benefit consumers of financial services through improved selection, availability, and quality of financial products. This expectation is based on statistical analyses and anecdotal evidence. Several studies of the insurance industry, for example, have shown that where competition has flourished, policy premiums have tended to decline and insurance options to increase. Analyses of securities underwriting syndicates have also shown that permitting affiliates of commercial banks to underwrite municipal revenue bonds would likely result in significant savings to local governments.

Risk-Based Capital Guidelines

The U.S. federal banking agencies will soon publish their guidelines for a risk-based capital standard. The guidelines are based on an international agreement reached by the Cooke Committee, a group of international bank supervisors that meet under the auspices of the Bank for International Settlements in Basle, Switzerland.

The major provisions of the new guidelines are:

- To make regulatory capital requirements more sensitive to differences in the risk profiles among banking organizations.
- To take off-balance-sheet activities exposure, which has become substantial especially among the largest banks, explicitly into account;
- To minimize the disincentives for holding liquid, low-risk assets; and
- To mitigate competitive inequality stemming from differences in international supervisory requirements.

To meet these objectives, the new policy:

- Weights balance sheet assets according to broad categories of credit risk, thereby requiring that less capital be held against lower risk securities, such as government securities;
- Requires capital to be held against off-balance-sheet activities; and
- Redefines capital to focus on equity as the superior form of capital, and limits the extent to which certain types of accounts — such as loan loss reserves — can be considered capital.

The current proposal treats only credit risk. Other kinds of risk, such as interest rate risk, are clearly important in determining the capital needs of a bank. Bank supervisors will continue to assess the level of overall risk in individual banks through the supervisory process and will require additional capital, as warranted beyond the stated guidelines of 8 percent. At least during the phase in period, U.S. regulators are likely to require a tandem ratio.

In the short term, the rule may pose problems for some banks. For example, some large banks currently would not meet the risk-based standards. This may cause some banks to delay expansion plans, particularly since one feature of the new guidelines will be to deduct goodwill from capital. During the transition period, banks have many options for meeting the new capital standard, including raising more capital; shifting their portfolio to investments with less credit risk; and withdrawing from some lines of business.

The risk-based capital guidelines are a major step in the process of accounting for the riskiness of bank portfolios. They enable the regulators and bank management to relate explicitly a bank's credit risk, both on and off the balance sheet, to its capital structure. The OCC is continuing to explore other methods to make capital and other supervisory requirements more sensitive to differences in risk profiles among banking organizations.

Statement of Robert L. Clarke, Comptroller of the Currency, before the House Committee on Banking, Finance and Urban Affairs, Washington, D.C., January 5, 1989

Mr. Chairman and members of the Committee, thank you for this opportunity to report to you on the impact of lesser developed country (LDC) debt on U.S. banks. As you and the members of this Committee are aware, the debt burden of developing countries became a major bank supervisory issue in 1982. Bank lending to LDCs had grown significantly in the late seventies and early eighties, and in August of 1982, Mexico announced that it would be unable to service its foreign debt. Since then, the OCC, in cooperation with the other federal banking agencies, has taken a number of steps to provide a supervisory and regulatory framework that assists national banks in continuing to manage their LDC debt in a safe and sound manner. These policies and regulations, along with voluntary actions by banks, have helped to strengthen capital and reduce the LDC debt exposure of U.S. banks. As a result, while LDC debt exposure continues to be a concern of banks and regulators, the vulnerability of the U.S. banking system to LDC debt performance has lessened significantly.

The LDC Debt Exposure of U.S. Banks

Most of the foreign debts that are of concern are owed by 48 so-called "troubled" LDCs. For the purpose of this testimony, we consider these to be countries that, since 1976, have found it necessary to reschedule their external debt one or more times. As of mid-year 1988, 181 U.S. banks reported holding $280 billion in cross-border, nonlocal currency claims of foreign borrowers. Of that amount $81 billion was due from these "troubled" LDC debtors. This figure represents a $21 billion reduction in the aggregate exposure of the U.S. banking system to such debtors since yearend 1982.

At the same time, the aggregate primary capital of the U.S. banks with loans to troubled LDCs has doubled, from $58 billion to $117 billion. Expressed differently, systemic exposure to these debtors was reduced at mid-year 1988 to 70 percent of the aggregate primary capital of these U.S. banks with loans to troubled LDCs, from 176 percent at the end of 1982. It is also important to note that during the later part of 1988 aggregate earnings for national banks have continued to increase. For the largest banks, in particular, this provides new opportunities for increasing bank capital. Thus, the decline in aggregate exposures, together with the increase in total primary capital, have combined to reduce considerably the vulnerability of the U.S. banking system to LDC debt performance.

The LDC claims of U.S. banks that are of the most concern are primarily in Latin America, where the United States historically has had significant investment and trade interests. Between yearend 1982 and mid-year 1988, the claims of U.S. banks on Latin American countries declined $14 billion, and as of mid-year 1988 stood at $70 billion. Most of this debt is from four countries: Brazil, $21 billion; Mexico, $20 billion; Argentina, $9 billion; and Venezuela, $8 billion.

The largest U.S. banks provide most of the lending to the LDC debtors. These banks have increased their share of the LDC debt as regional and smaller banks have turned their attention to alternative foreign and domestic activities. At yearend 1982, the nine largest banks held 63 percent of U.S. bank claims on troubled LDCs. By mid-1988, the share of troubled LDC debt owed to the nine largest U.S. banks had increased to 70 percent.

At the same time that loans from troubled LDCs have become more concentrated in the largest banks, there has been a significant lengthening of the maturities of claims. The maturities have lengthened because countries have rescheduled their loans to bring payments more in line with debt servicing capabilities.

While banks are decreasing their loans to troubled LDCs, this does not mean that they are halting all lending activities in these countries. For example, some banks are actively extending short-term, collateralized loans. In addition, some are providing fee-based services to the developing countries. Both provide banks an opportunity to continue to participate in international activities while reducing credit risk.

The Response of U.S. Banks and Their Supervisors

The exposure and capital figures show that over the last 6 years, banks with loans to troubled LDCs have decreased the amount of these loans by $21 billion and at the same time increased their capital by $58 billion. The $21 billion reduction as of mid-year 1988 is due not only to principal reduction, but also to debt-for-bond exchanges, sales on the secondary market, and debt-for-equity swaps.

The increase in capital is both a result of new regulatory requirements and actions banks have taken on their own. Under the provisions of the International Lending and Supervision Act of 1983 (ILSA), the OCC, together with the Federal Reserve Board (FRB) and the Federal Deposit Insurance Corporation (FDIC), adopted uniform minimum capital requirements for all commercial banks. As a

result, banks must have primary capital to assets ratios of at least 5.5 percent. This regulation has forced large banks, in particular, to raise capital levels. It is these banks that are the most active LDC lenders. Since 1982, primary capital to asset ratios for the 22 largest banks engaged in international lending has increased from just under 5 percent to over 7¼ percent. Over the period, the equity capital of these banks has increased by around $5.5 billion.

The increase in primary capital for these 22 banks also includes a $21 billion increase in one component of capital — the Allowance for Loan and Lease Losses (allowance). This allowance is designed to absorb anticipated losses from loans on a bank's balance sheet. Beginning in the second quarter of 1987, virtually all major U.S. banks with significant exposures to troubled LDC debtors have made and continue to make substantial additions to their allowance. The most important result of this increase has been the additional flexibility it has given banks in managing their portfolios of troubled LDC loans. For instance, with significantly increased allowances to buffer their current earnings against losses, banks are more able and willing to pursue LDC debt reduction strategies, including debt-for-equity, loan-for-bond swaps, and other debt securitization programs offered by a number of LDC debtors.

We are now in the process of further strengthening bank capital by implementing new risk-based capital guidelines. These guidelines will require an increased reliance upon common equity. Banks will still be required to maintain adequate allowances under the new guidelines, and, in addition, will have to meet separate equity capital requirements. These new guidelines will also explicitly consider the credit risk of a bank's assets and off-balance sheet activities in determining the bank's minimum capital requirements.

Another important component of federal regulatory activity is the Interagency Country Exposure Review Committee (ICERC), which evaluates the country risk of assets held by U.S. banks. The FRB, FDIC, and OCC are the members of ICERC and use ICERC's evaluations to ensure consistency in bank supervisors' evaluations of the quality of banks' sovereign debt. Bank supervisors use this information to recommend to bank management increases in the allowance. We impose a mandatory Allocated Transfer Risk Reserve when loans are classified by ICERC as "Value Impaired" or "Loss." In addition, we have actively encouraged banks to review the adequacy of their primary capital and, where necessary, to increase capital and the general allowance to better support the risks associated with their loans to troubled LDC debtors.

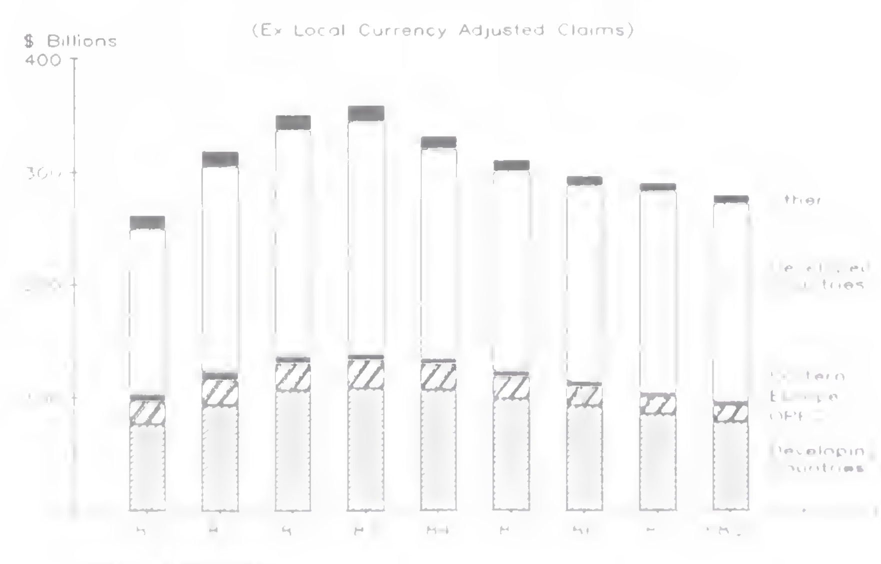
In order to keep up-to-date on LDC debt, the OCC established in late 1983 a new unit whose mission is to identify and respond more effectively to the risks from LDC lending. Since that time, that unit has monitored developments affecting the cross-border exposures of national banks. We have, for example, routinely participated as observers at many of the Bank Advisory Committee meetings with the major Latin American debtor countries so that we may anticipate and respond to any regulatory questions that might be associated with proposed rescheduling agreements. And, within the last year, this international unit enlarged its professional staff and we have expanded the scope of international activities reviewed by the agency.

Further, we have supported the development of exit vehicles and new financing alternatives for banks with troubled LDC exposures. Starting in late 1987, we issued interpretive and no-objection letters that have helped to facilitate loan-for-bond exchanges and debt-for-equity swaps. The Federal Reserve Board has also helped by twice liberalizing Regulation K to better accommodate these programs. National banks can apply "debt previously contracted" (DPC) authority to LDC debt-for-equity swap programs. The DPC authority allows banks to assume, in lieu of debt payments, ownership positions in real estate, securities, or companies for a limited period of time.

The LDC debt exposure of U.S. banks will continue to be a source of concern and a high priority for the OCC. However, we have seen the exposure of U.S. banks to problems with their LDC loans significantly reduced over the last six years. All the federal regulators have instituted programs and regulations that assist in reducing the risk to the banking system from LDC loans and banks have taken important steps on their own. We will continue to work closely with the bank regulators, other federal agencies, and the international community to find flexible ways to respond to the LDC issue without compromising the safety and soundness of the banking system.

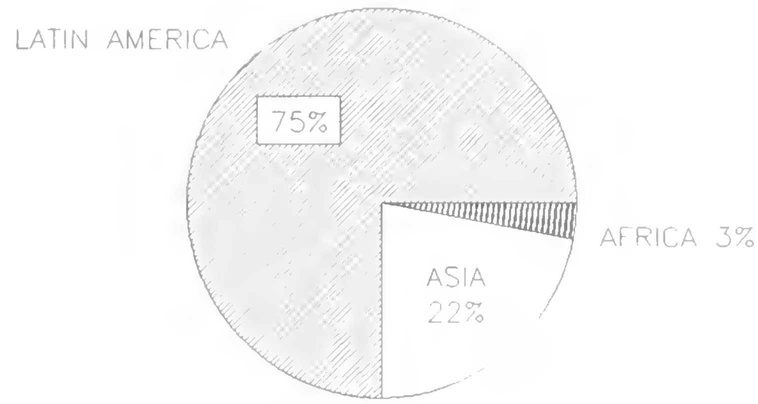
Appendix

DEVELOPING COUNTRIES OWE 33% OF U.S. BANK FOREIGN CLAIMS



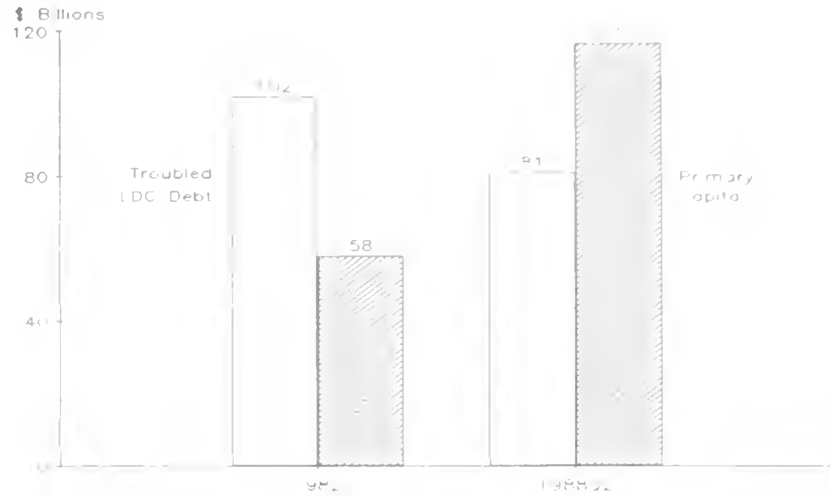
LATIN AMERICA ACCOUNTS FOR THREE FOURTHS OF DEVELOPING COUNTRIES DEBT

($93 Billion Outstanding as of 1988 Second Quarter)



Source: FFIEC/IBF

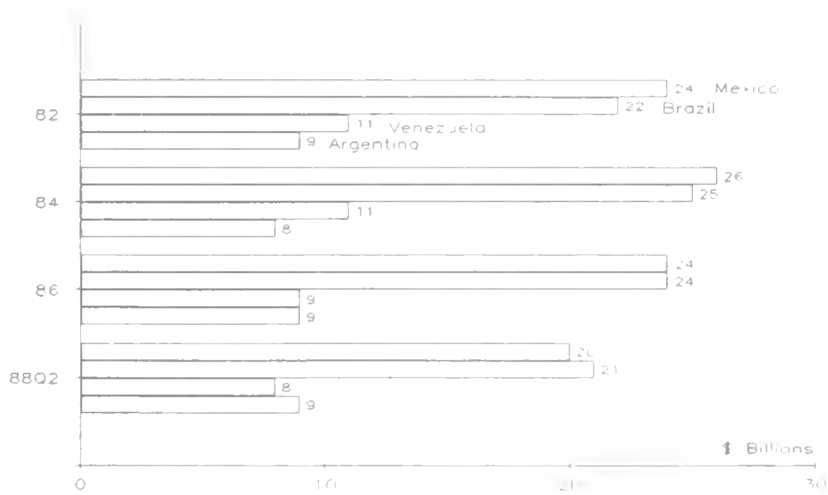
BANK PRIMARY CAPITAL IS NOW GREATER THAN LOANS TO TROUBLED LDC BORROWERS



Troubled LDCs are the LDCs that have rescheduled their debt since 1976
Source: FFIEC/IBF

MEXICO, BRAZIL, VENEZUELA, AND ARGENTINA ARE THE LARGEST LATIN BORROWERS

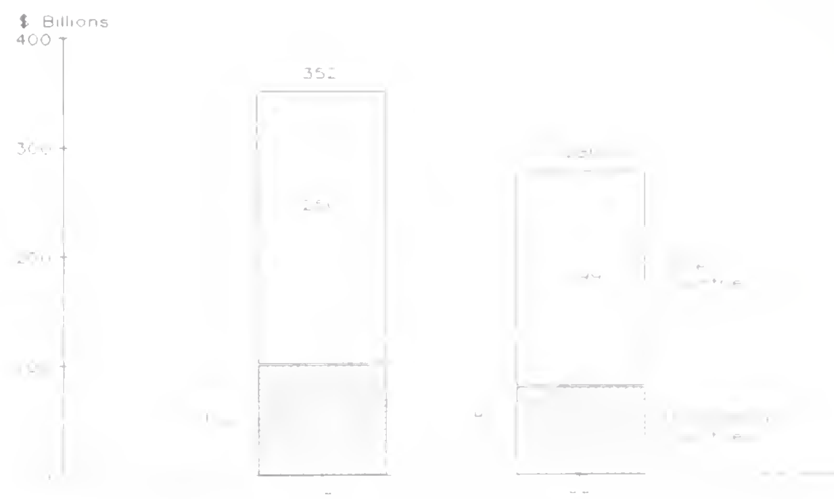
(U.S. Bank Exposure By Country)



Ex Local Currency Adjusted Claims
Source: FFIEC/IBF

THE AMOUNT OF U.S. BANK LOANS TO TROUBLED LDCs HAS BEEN REDUCED

(U.S. Bank Debt To Troubled LDC Borrowers)



Interpretive Letters—October 15 and December 15, 1988

446—February 25, 1988

Roberta K. Reed
Assistant Vice President & Trust Officer
Associate Trust Counsel
Seafirst Bank
701 Fifth Avenue
P.O. Box 3586
Seattle, Washington 98124

Re: Seattle-First National Bank, Seattle, Washington (Bank)

Dear Ms. Reed:

This is in response to your September 3, 1987 and subsequent letters regarding the Bank's proposal to establish a collective investment trust (Trust) for the collective investment of individual retirement account (IRA) trust assets exempt from taxation under Section 408 of the Internal Revenue Code of 1986, as amended (IRC). The collective investment trust will also include single or commingled pension or profit-sharing trusts maintained in conformity with Section 401(a) and exempt from taxation under Section 501(a) of the IRC.

The Bank's plan is identical in all material respects, with two exceptions noted below, to the collective investment trusts approved by the OCC in the applications of Chase Manhattan Bank, N.A. (November 14, 1986) (Chase Manhattan Approval) and First Fidelity Bank, N.A. (March 19, 1987) (First Fidelity Approval). Furthermore, but for the addition of single or commingled pension or profit-sharing trust funds, the Bank's plan is similar in all material respects to other collective IRA trusts previously approved by the OCC. *See Decision of the Comptroller of the Currency on the Application by Citibank, N.A., Pursuant to 12 C.F.R. § 9.18(c)(5) to Establish Common Trust Funds for the Collective Investment of Individual Retirement Account Trusts Exempt from Taxation under Section 408 of the Internal Revenue Code of 1954* (October 21, 1982) (Citibank Decision); *Decision of the Office of Comptroller of the Currency on the Application by Wells Fargo Bank, N.A., to Establish a Common Trust Fund for the Collective Investment of Individual Retirement Account Trust Assets Exempt from Taxation under Section 408(a) of the Internal Revenue Code of 1954, as Amended* (January 27, 1984) (Wells Fargo Decision); and *Decision of the Comptroller of the Currency on the Application of Connecticut Bank and Trust Company, N.A., to Establish a Common Trust Fund for the Collective Investment of Individual Retirement Account Trust Assets Exempt from Taxation under Section 408(a) of the Internal Revenue Code of 1954, as Amended* (February 7, 1985) (Connecticut Bank and Trust Decision). These decisions have been upheld in opinions by the Courts of Appeals for the D.C., Ninth and Second Circuits, respectively (collectively, the IRA Cases).[1] The OCC is of the view that the activities described in your letters and attachments thereto constitute lawful bank fiduciary activities which comply with the requirements of 12 C.F.R. Part 9 and are not inconsistent with the requirements of the Glass-Steagall Act, specifically 12 U.S.C. §§ 24 (Seventh), 377, 378 and 78

Our conclusion regarding the permissibility of the fiduciary services proposed to be offered by the Bank is supported by the nature of the relationships between the Bank as trustee of the Trust, and the Bank as trustee of the individual trusts participating in the Trust. Although the statutes of the State of Washington do not define the elements required to create a trust and Washington courts have not delineated the elements of a common law trust, Washington courts have consistently relied on the Restatement (Second) Trusts (1959) to decide issues involving common law trusts. *See, e.g., Fred Hutchinson Cancer Research Center v. Holman,* 732 P.2d 974 (Wash. 1987); *Retail Store Employees Union v. Washington Surveying and Rating Bureau,* 558 P.2d 215, 220 (Wash. 1976); *In Re Estate of Brooks,* 579 P.2d 1351, 1353 (Wash. Ct. App. 1978). Under the Restatement, the elements necessary for the creation of a valid trust include: (a) an intervivos transfer of property, (b) the intention of the owner that the transferred property be held in trust, (c) a designated trustee, and (d) a designated beneficiary. Restatement (Second) Trusts § 17(b) (1959). The Bank has provided the opinion of its counsel that the Trust agreement and participating trust agreements contain these elements. Because the Trust agreement and participating trust agreements contain the elements required under Washington law, we are satisfied as to the validity of the Trust and the participating trusts. Accordingly, under the terms of 12 U.S.C. § 92a, the Bank is empowered to offer the fiduciary services represented by the Trust.

The OCC has carefully considered the features of the Trust and the participating trusts. In two respects, the Trust raises questions concerning its conformance to the requirements of 12 C.F.R. § 9.18(b). The pertinent provisions require the outside auditors to be responsible solely to the Bank's Board of Directors and require the Bank to exercise exclusive management over its collective investment funds. *See* 12 C.F.R. §§ 9.18(b)(5)(i), 9.18(b)(12). Both provisions may raise questions with respect to the Bank's Trust program which arise out of the Bank's decision to register the Trust with the Securities and Exchange Commission (SEC) as an "investment company" under the Investment Company Act of 1940, 15 U.S.C. §§ 80a-1

[1] *Investment Company Institute v. Conover,* 790 F. 2d 925 (D.C. Cir. 1986), *Investment Company Institute v. Clarke,* 793 F. 2d 220 (9th Cir. 1986), *Investment Company Institute v. Clarke,* 789 F. 2d 175 (2d Cir. 1986) (per curiam). In December 1986, the United States Supreme Court denied certiorari in all three cases. *See Investment Company Institute v. Clarke,* ____ U.S. ____, 107 S.Ct. 421-422 (1986).

et seq. However the decisions of the OCC which were upheld in the above-cited IRA Cases addressed these same questions and concluded that the respective banks were permitted to operate their trust plans in compliance with 12 C.F.R. § 9.18.

In the plan proposed by the Bank (and the plans at issue in the Chase Manhattan Approval and the First Fidelity Approval), the Bank would commingle in its collective investment trust IRA trust funds with single or commingled pension or profit-sharing trusts (Section 401 trust funds). The collective investment of Section 401 trust funds is a traditional banking service which banks have long performed. The exemption from taxation which IRC Sections 401(a) and 501(a) provide is available only to "qualified trusts" and, accordingly, contemplates the existence of a true fiduciary purpose for all such trusts. Thus, the collective investment of Section 401 trust funds involves no less a true fiduciary purpose than the collective investment of IRA trust assets. This additional activity will not jeopardize the exemption from federal taxation separately accorded each type of trust fund. *See* IRC Section 408(e)(6) and Rev. Rul. 66-297. The Trust interests will be registered with the SEC under the Securities Act of 1933 and the Investment Company Act of 1940, regardless of those exemptions from registration which normally are available to collective investment funds for the collective investment of Section 401 trust funds.

It is noted that the proposed Trust differs in three further respects from those approved in the above-cited cases. First, the Bank, as trustee, proposes to charge the Trust an ongoing fee that for certain participating trusts may not be consistent with the fee requirements of 12 C.F.R. § 9.18(b)(12). Second, the Bank proposes to allow its affiliate, Bank of America, National Trust & Savings Association, San Francisco, California (Bank of America), to display copies of the Declaration of Trust, Trust Agreement, and Prospectus for the Trust in its branch lobbies. Third, under the Investment Management Agreement and pursuant to related representations you have made on the Bank's behalf, Trust purchases of securities from issuers that have banking relationships with the Bank are restricted to comport with the requirements of 12 C.F.R. § 9.12(a). As discussed below, we do not view these differences as a bar to the OCC's approval of the Trust.

Fee for Participating Trusts

The Bank plans to charge the Trust an ongoing fee based on an annualized percentage of net assets. In the case of certain participating trusts, this fee may not comport with the requirements of 12 C.F.R. § 9.18(b)(12), which states:

> The bank may charge a fee for the management of the collective investment fund provided that the fractional part of such fee proportionate to the interest of each participant shall not, when added to any other compensations charged by a bank to a participant, exceed the total amount of compensations which would have been charged to said participant if no assets of said participant had been invested in participation in the fund.

You have represented that, in general, compliance with this provision does not present a problem. However, you have noted the possibility that participants in certain bank managed IRA trusts which are exempt from taxation under Section 408 of the IRC, as well as pension or profit-sharing trusts maintained in conformity with Section 401 of the IRC, might be able to obtain management services for a fee in an amount less than that which the Bank proposes to charge, a situation which may be deemed to present a potential violation of the above regulation.

With respect to the proposed fee, the Bank as Trustee has made the following representations:

1. The management fee will be charged for the provision of services which are usually and customarily rendered by a trustee to a collective fund.

2. Except insofar as discussed herein, the fees and expenses to be charged to the common trust fund will be in accordance with the rules and regulations of the OCC pertaining to collective investment funds and the interpretations issued thereunder.

3. All employee benefit accounts participating in the Trust will specifically incorporate by reference the terms of the Trust.

4. The governing documents of all participating accounts will specifically authorize the investment in the Trust and Trustee's fee set forth above.

5. Only accounts directed by the participant will participate in the Trust.

6. All material terms affecting the rights of the participants will be accurately and fully disclosed in the Declaration of Trust.

7. The aggregate fee will be disclosed in the semiannual financial statements for the Trust. In addition, sufficient information will be disclosed in each participant's quarterly account statement for the participant to calculate the fee charged to the individual account.

Based upon the above representations, which will ensure, among other things, that Trust participants will be able to make an informed decision on the costs of participation in the Trust, and to the extent that the Bank's proposed fee arrangements do not comport with the requirements of 12 C.F.R. § 9.18(b) (12) pertaining to fee charges, the OCC will grant a waiver of those restrictions, pursuant to 12 C.F.R. § 9.18(c) (5), to permit the Trustee to charge the above-described fee.

Displaying Trust Documents in Branch Lobbies of Affiliate

As noted above, the Bank proposes to allow its affiliate, Bank of America, National Trust & Savings Association, San Francisco, California (Bank of America), to display copies of the Declaration of Trust, Trust Agreement, and Prospectus for the Trust in its branch lobbies. Bank of America, however, will not accept applications or money from customers who want to participate in the Trust. Bank of America will not act as trustee with respect to customers who participate in the Trust. Rather, the Bank alone will perform all of these functions in licensed locations. Accordingly, we do not view this aspect of the Bank's proposal as inconsistent with the requirements of the McFadden Act, 12 U.S.C. § 36. *See Clarke v. Securities Industry Association,* 479 U.S. ____, 93 L. Ed. 2d 757, 775 (1987).

Permissible Investments

Section 2(f) of the Investment Management Agreement provides:

> The commercial banking divisions of the Trustee or its affiliates may have deposit, loan and other commercial banking relationships with issuers of securities purchased by the Trust, including outstanding loans to such issuers. However, the Trustee will not purchase securities in registered or unregistered offerings where the Trustee knows, or should know, that the proceeds of the offering will be used to repay loans from the Trustee or its affiliates.

12 C.F.R. § 9.12(a) prohibits national banks, unless lawfully authorized by the trust agreement, court order or state law, from investing trust funds "in stock or obligations of . . . individuals or organizations in which there exists such an interest, as might affect the exercise of the best judgment of the bank in acquiring the . . . stock or obligations." You have represented that, to prevent violations of 12 C.F.R. § 9.12(a), when the Trustee has reason to believe that the issuer will use the proceeds from an offering to repay loans or other borrowings, the Trustee has a duty to inquire as to the identity of the lenders. In the event that the Bank or any of its affiliates is one of the lenders, the Trustee will not purchase the securities. In addition, you have represented that should the Trustee unknowingly purchase securities from an issuer, where the proceeds are used to defray loans or other borrowings from the Bank, upon discovery of this fact, the Bank will promptly resell these securities at a profit or no loss to the Trust.

Generally, the use of proceeds from an offering is considered material information which must be disclosed to prospective investors. Among other things, the SEC's securities offering disclosure regulations adopted under the Securities Act of 1933 require the issuer to disclose the manner in which the offering proceeds will be used. *See* Securities Act of 1933 Forms S-1 (Item 4), S-2 (Item 4), and S-3 (Item 4). Since the Bank will disclose to participants that it will not purchase securities in a primary offering where it knows or should know that the proceeds will be used to repay loans to the Bank or its affiliates and since the Trustee recognizes its duty to make a reasonable inquiry sufficient to satisfy its legal obligations in this regard, we believe that the requirements of 12 C.F.R. § 9.12(a) are satisfied and that the OCC may permit the proposed activity.

Finally, approval of the Bank's proposal is not precluded by the recently enacted Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, 100 Stat. 552. Section 201(b) of the Act imposes a temporary moratorium on approvals of certain securities activities of banking organizations. The Bank's proposal is not covered by the moratorium because it does not involve a securities activity. The establishment of a collective investment trust for IRA accounts has been determined by the OCC and three United States courts of appeals to constitute a "fiduciary activity" which banks may lawfully engage in under the national banking laws. *See* IRA Cases, *supra*. Moreover, even if the Bank's proposal did involve a securities activity, our review would not be covered by the moratorium. Under Section 201(b) (2) (B), a federal banking agency may not authorize a bank to engage "in any securities activity not legally authorized in writing prior to March 5, 1987;" the moratorium, however, does not preclude approval of activities lawfully engaged in prior to March 5, 1987. The Bank's proposal is not covered by the moratorium because the activity in question has been lawfully engaged in, with the repeated approval of the OCC, prior to March 5, 1987. *See* Chase Manhattan Approval and approvals cited in the IRA Cases, *supra*.

As our position is based on the specific facts and representations made in your letters and attachments thereto, you should be aware that any alteration in the terms of the Bank's proposal might require another interpretation. Further, this letter only expresses the OCC's position based on current statutes and regulations and is subject to modification as future legislative, judicial or regulatory developments warrant.

Robert J. Herrmann
Senior Deputy Comptroller for Bank Supervision

* * *

447—March 28, 1988

Judith M. Nolte
Senior Counsel
Trust Legal Department
Wells Fargo Bank
111 Sutter Street, Suite 700
San Francisco, California 94163

Dear Ms. Nolte:

This is in response to your letters of September 21 and November 23, 1987 concerning Wells Fargo Bank's (Bank) use of its holding company's wholly owned affiliate, Wells Fargo Investment Advisors (WFIA), to provide advisory services to the Bank in the management of the Collective Investment Trust for Bank IRAs (IRA Trust). Those letters address this Office's concerns regarding the Bank's compliance with the "exclusive management" requirement prescribed at 12 C.F.R. § 9.18(b) (12). Based on our review of the Bank's administration of the IRA Trust and the revisions to the Bank's General Instructions and Procedures forwarded to this Office in the November 23, 1987 correspondence, we believe that the Bank may continue to use WFIA, under 12 C.F.R. § 9.18(b) (12), to provide certain advisory services to the Bank.

The Bank's operation of the IRA Trust was approved by this Office pursuant to 12 C.F.R. § 9.18(c) (5) in *Decision of the Office of the Comptroller of the Currency on the Application by Wells Fargo Bank, N.A., to Establish a Common Fund for the Collective Investment of Individual Retirement Account Trust Assets Exempt from Taxation under Section 408(a) of the Internal Revenue Code of 1954, as Amended* (January 27, 1984) (Approval Letter). The Approval Letter permitted the Bank to establish a trust for the collective investment of Individual Retirement Account assets. However, this approval was conditioned on the Bank acting as sole trustee, investment adviser, and administrator of the IRA Trust.

As initially established, all advisory services of the IRA Trust were performed through a division of the Bank, Wells Fargo Investment Advisors. On January 1, 1985, however, Wells Fargo & Company underwent a corporate reorganization. As part of this restructuring, the management and investment advisory responsibilities of the IRA Trust were placed in a new division of the Bank, the Advisors Trust Division. At this same time, Wells Fargo & Company established a wholly owned subsidiary, WFIA. Without prior notice to this Office, the Bank entered into a written advisory contract with WFIA whereunder WFIA was to provide investment advice to the Advisors Trust Division.

Pursuant to the above mentioned advisory contract, the Bank has provided WFIA with Special Instructions for each of the Bank's IRA Trust investment options. As initially stated, the Special Instructions required WFIA to obtain, "wherever possible," approval from the Bank prior to implementing purchase and/or sale decisions. Approval of the Bank could consist of the following actions: (1) Special Instructions which identify acceptable trading criteria; (2) written or oral approval of specific transactions; or (3) the absence of any objections by the Bank to WFIA recommendations. This Office raised concerns about that approval procedure. *See* July 29, 1987 letter from Dean E. Miller to Mary C. Lentz. On November 23, 1987, the Bank forwarded to this Office revised Special Instructions. The revised instructions make clear that the Bank, through its Advisors Trust Division, has an active involvement in the investment process. As provided in the new instructions, the Advisors Trust Division of the Bank is required to "approve a formula which specifies the transactions required to implement the strategy and the transactions indicated by such formula will be deemed to be approved by [the Advisors Trust Division]."

This Office's regulations promulgated at 12 C.F.R. § 9.18(b) (12) require that national banks maintain exclusive management of any collective fund under its administration. The exclusive management requirement is designed generally to ensure that a national bank fiduciary will administer a collective fund in satisfaction of all fiduciary responsibilities, and to prevent delegations or reservations of authority which interfere with the bank's fulfillment of these responsibilities. In the proper circumstances, however, it is permissible for a bank to contract for investment advisory services and still fulfill its obligations as a trustee of a collective fund. When employing an investment adviser, national banks must still actually control and perform the administration of the collective fund, including not only establishing the fund's investment policy, but also making the investment decisions. We believe that the Bank has met this criterion.

As indicated above, the Bank, and not WFIA, formulates the Fund's investment criteria. Based upon numerous conversations with your office, it is our understanding that the Bank's Board of Directors approves all new or revised investment criteria or strategy formulations used with the IRA Trusts. All investment strategies used by the Bank are either "structured" or "model driven" strategies. A structured investment strategy is a strategy that attempts to replicate a recognized index or a section thereof. A "model driven" investment strategy exists when the specific securities selected to be purchased and the relative weighing and the standards used in the purchase of the securities are predetermined by computer models using prescribed objective criteria. Neither of these investment strategies requires the existence of an investment adviser who actively monitors the market and buys or sells stock based on an evaluation of a particular stock's anticipated performance. Rather, the strategies are "passive" strategies in that the stock selections and number of

shares purchased are based on a predetermined independent index or computer model. In the Bank's model driven investment strategy, WFIA merely adopts an investment concept based upon a fixed investment analysis predetermined by the Bank. A structured investment strategy, by its very nature, involves minimal day-to-day decision making for the adviser. The daily investment decisions are determined by external factors, such as the performance of the Standard & Poor's 500 Index. In both strategies, therefore, the purchase and sale decisions of WFIA are controlled by models or indices decided upon and approved by the Bank. WFIA's implementation of those strategies constitutes only a ministerial activity.

Moreover, the Bank also has in place internal procedures for the regular review and monitoring of WFIA's activities and performance. The Advisors Trust Committee of the Bank has the specific responsibility to oversee the operation of IRA Trusts, including the advisory services performed by WFIA. If WFIA's investment advisory services prove to be unsatisfactory, the Bank has the right under contract to amend the contract or to terminate the employment of WFIA.

As part of the Wells Fargo restructuring, certain officers of the Bank became officers solely of WFIA while others became dual officers of the Bank and the subsidiary (dual officers). In order to ensure continued compliance with the requirements prescribed in 12 C.F.R. Part 9, certain internal procedures should be implemented in order to control the activities of the dual officers. The Bank must diligently supervise the dual officers in the performance of their fiduciary duties with respect to the IRA Trusts. Further, the Bank must agree to allow representatives of our Office access to all records, documents and other information relating to all activities of the dual officers, so that we can properly exercise our supervisory responsibilities concerning the Bank's fiduciary activities. By these means, this Office can ensure the Bank's compliance with its exclusive management obligations under 12 C.F.R. § 9.18(b) (12). In your November 23, 1987 letter, you represented that the Bank currently has such supervisory authority over dual officers and that WFIA is subject to examination by our Office.

On the basis of the facts presented and on the terms and conditions set forth above, we will not object to the Bank's employment of WFIA to provide certain advisory services to the Bank. The Bank is reminded, however, that any future changes in its operation of the Plan must receive prior approval from this Office. If you have any questions concerning this matter, please contact Kevin J. Bailey, Attorney, Securities & Corporate Practices Division, at 202-447-1954.

Dean E. Miller
Deputy Comptroller for Trust and Compliance

* * *

448—August 17, 1988

Re: Compliance with Regulation Z

This responds to your letter of June 1, 1988, to District Counsel Patrick Parise, which has been referred to me for response. In your letter, you asked that the *** (Bank) be exempted from reviewing all of the real estate loans in the Bank's portfolio for possible credit life disclosure violations, and that the Bank not be directed to make the refunds, allegedly required by the incorrect disclosures. Your request was based on the outcome of the consumer compliance examination of the Bank conducted as of April 11, 1988, as described in the resulting Report of Supervisory Activity (ROSA).

The violations of consumer law identified in the ROSA included a number of credit life insurance disclosure errors cited as violations of 12 C.F.R. Part 226 (Regulation Z). As part of the examination, the national bank examiners selected a sample of 24 real estate and mobile home loans. Of those, five loans (more than 20 percent of the sample) were found to contain disclosure errors. The errors involved the Bank's failure to have borrowers who purchased credit life insurance provide the appropriate authorization in writing. Consequently, the insurance premiums should have been included in the finance charge rather than in the amount financed. Since it was not so included, the finance charges and annual percentage rates were understated. The examiners concluded that these errors established a pattern of erroneous disclosure well in excess of the deviations permitted by law, and they directed the Bank, via a letter dated June 3, 1988, to make appropriate adjustments, and to identify and correct any additional errors in other loans in the Bank's portfolio.

The Truth in Lending Simplification and Reform Act, codified at 15 U.S.C. §1607, provides, in relevant part, as follows:

> (e)(1) In carrying out its enforcement activities under this section, each agency. . ., in cases where an annual percentage rate or finance charge was inaccurately disclosed, shall notify the creditor of such disclosure error and is authorized. . . to require the creditor to make an adjustment to the account of the person to whom credit was extended. . .
>
> * * *
>
> (2) Each agency shall require such an adjustment when it determines that such disclosure error resulted from (A) a clear and consistent pattern or practice of violations. . . Notwithstanding the preceding sentence, . . . an agency need not require such an adjustment if it determines that such disclosure error—(A) resulted from an error involving the disclosure of a fee or charge that would

otherwise be excludable in computing the finance charge . . . except that for transactions consummated after two years after March 31, 1980, such an adjustment shall be ordered for violations of section 1605(b) of this title. [emphasis added] 15 U.S.C. §1607(e)(1),(2).

As you can see, the Act authorizes the agency, in general, to require a creditor to make appropriate adjustments when law violations occur. But it directs the agency to require such an adjustment for violations of 12 U.S.C. §1605(b), which provides as follows:

(b) Charges of premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charge unless
(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disdisclosed in writing to the person applying for or obtaining the extension of credit; and
(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of this desire to do so after written disclosure to him of the cost thereof. [emphasis added]

Regulation Z, 12 C.F.R. Part 226, was promulgated to implement the Truth in Lending Act of which the above-cited statute is a part. Section 1605(b) of the statute addressed in the regulation at 12 C.F.R. 226.4(d)(1). This section of the regulation states that credit life insurance premiums may be excluded from the finance charge if

(i) The insurance coverage is not required by the creditor, and this fact is disclosed.
(ii) The premium for the initial term of insurance coverage is disclosed. . .[and]
(iii) The consumer signs or initials an affirmative written request for the insurance after receiving the disclosure specified in this paragraph. . .

This section is the one identified by the national bank examiners as the one which was violated by the Bank in 20 percent of their sample of real estate and mobile home loans. As described above, the violations occurred when the Bank excluded the credit life insurance premiums from the finance charge without the appropriate written authorization.

Because the violations of Regulation Z fall within the requirements of 12 U.S.C. 1605(b), the agency has no discretion in the matter. The statute requires the agency to order the Bank to make an appropriate adjustment for each loan where the disclosure error occurred. *See* 12 U.S.C. §1607(e)(1),(2), above.

The letter dated June 3, 1988, from the national bank examiners in the Dallas Field Office directs you to make the adjustments and describes the methods to be used in doing so. Please follow the directions contained in that letter in order to correct the violations of Regulation Z cited in the ROSA.

Elizabeth H. Corey
Attorney

* * *

449—August 23, 1988

Mr. Michael E. Bleier
Managing Counsel - Regulatory Affairs
Mellon Bank N.A.
Legal Department
One Mellon Bank Center
Pittsburgh, PA 15258-0001

Dear Mr. Bleier:

This is in response to your notice regarding the intent of Mellon Bank N.A. (Bank) to establish an operating subsidiary, Backroom Systems Group (Subsidiary). The Subsidiary will hold Vertical Technologies, Inc. (Company), a company which the Bank proposes to acquire.

The Company provides software applications and systems for financial institutions' backroom operations, thus permitting the institutions to automate what have traditionally been manual operations. The Bank presently offers state-of-the-art mainframe systems for automating bank operations through its Datacenter Division (Division). The Company's microcomputer-based systems will allow the Bank to offer more advanced software services in one of three ways: 1) on a stand-alone basis without the need for a mainframe processing system; 2) in a shared network environment; or 3) as a complement to the Division's existing services. The Bank's current market is limited to commercial banks with assets ranging from $100 million to $2 billion. With the acquisition of the Company, the Bank could then offer its services to all financial institutions, not being limited by size. The software applications and systems will, for example, permit financial institutions to more efficiently control and secure funds transfer volumes and complexities; sort and process exception transactions; research/retrieve customer account information on microfilm or on the mainframe; item process; prepare forms and monetary adjustments to correct out-of-balance deposits; perform recordkeeping and tracking required by the Federal Reserve's Regulation J; and

prepare professional customer advices, cash letters, account charges, fees, general ledger transactions, and branch reporting required by return item processing. You also state that the Bank will probably incorporate the Company's software systems in upgrading its own automated backroom operations. For the reasons stated below, the OCC has no objection to the formation of the Subsidiary and its acquisition of the Company.

National banks may provide data processing to perform services expressly or incidentally authorized to national banks. Interpretive Ruling § 7.3500, 12 C.F.R. § 7.3500. *See also*, Unpublished OCC Letter from Peter Liebesman, Assistant Director, Legal Advisory Services Division, to National Bank (October 11, 1983); Unpublished OCC Letter from Richard V. Fitzgerald, Director, Legal Advisory Services Division, to Card Processing Company (April 24, 1980). National banks may provide these banking-related data processing services to other financial institutions under the rubric of correspondent services and pursuant to the "incidental powers" clause of 12 U.S.C. § 24(Seventh). *See*, Unpublished OCC Letter from Michael J. O'Keefe, District Counsel, to National Bank (July 13, 1987); Unpublished OCC Letter from Thomas W. Taylor, Deputy Comptroller, to National Bank (May 25, 1984) Unpublished OCC Letter from Richard V. Fitzgerald, *supra;* OCC Letter No. 137 (December 27, 1979), *reprinted in* Fed. Banking L. Rep. (CCH) [1981-1982 Transfer Binder] ¶ 85,218. In fact, the Supreme Court specifically included data processing in a list of services typically provided in a correspondent services relationship. *United States v. Citizens and Southern National Bank*, 422 U.S. 86, 114-115 (1975). The OCC has permitted the sale of computer software in the correspondent relationship as part of the data processing package. Unpublished OCC Letter from Michael J. O'Keefe, *supra*.

Where the purchasers are not financial institutions, the OCC has limited the data processing services provided to those developed and utilized in-house by the bank. Unpublished OCC Letter from Emory W. Rushton, Deputy Comptroller, to National Bank (February 16, 1988); Unpublished OCC Letter from Thomas W. Taylor, *supra*; Unpublished OCC Letter from Richard V. Fitzgerald, *supra*; OCC Letter No. 137, *supra*. One reason for this is to ensure that the services are banking-related. This limitation has not been imposed on the correspondent relationship as the services provided within that framework are inherently banking-related.

In 1984, the OCC reviewed an operating subsidiary notification in which a bank proposed to acquire a software company. While approving some elements of the notification, we denied the bank's request to market software separately as a by-product of its other data processing activities. OCC Letter No. 284 (March 26, 1984), *reprinted in* Fed. Banking L. Rep. (CCH) [Transfer Binder 1983-1984] ¶ 85,448. Letter No. 284 indicates that the purchasers of the software services would not be limited to financial institutions. The letter states that the software would be made "available to purchasers of access to the Bank's banking, financial, and economic data bases", thus increasing the "ease of manipulation and the utility of this information to customers". Letter No. 284 may be distinguished from the facts presented in this notification because the Subsidiary will be selling software on a stand-alone basis only to other financial institutions.

The Subsidiary may offer data processing services to other financial institutions as a part of the correspondent relationship pursuant to 12 U.S.C. § 24(Seventh). As outlined above, these data processing services are all banking-related, permitting institutions to automate what have previously been manual functions. It should be noted that the software may be sold on a stand-alone basis, even when not developed and utilized in-house by the Bank, because the purchasers are limited to other financial institutions.

In summary, the Subsidiary may hold the Company and offer its software services to financial institutions. The Subsidiary's activities are permitted as correspondent services pursuant to 12 U.S.C. §24(Seventh). I trust that this is responsive to your inquiry.

J. Michael Shepherd
Senior Deputy Comptroller
Corporate and Economic Programs

* * *

450—September 22, 1988

This is in response to your July 29, 1988, letter requesting an opinion on whether a national bank may act as agent in the sale of title insurance, perform title searches, arrive at legal title opinions, and perform surveying work in conjunction with real estate loans.

In my opinion, the proposed activities are permissible for national banks as being incidental to their express authority to "make, arrange, purchase or sell loans or extensions of credit secured by liens or interests in real estate." *See* 12 U.S.C. §371(a).

This Office has previously determined that the sale of title insurance is incidental to the business of banking. *See* Staff Interpretive Letter No. 377, February 6, 1987, *reprinted in* [Current] Fed. Banking Law Rep. (CCH) ¶85,601. Existing Office precedents do not address national banks' power to conduct title searches or to perform surveying work. However, precedents do permit banks to engage in various closely-related activities

Clerical services associated with title insurance that banks are permitted to perform include

> obtaining an updated abstract and title opinion, noting exceptions and fulfilling requirements, or having requirements fulfilled, as set out in the title opinion and preparing a preliminary title insurance commitment and a final title insurance policy. . . . (Staff Interpretive Letter No. 368, July 11, 1986, *reprinted in* [1985-87 Transfer Binder] Fed. Banking Law Rep. (CCH) ¶85,538.)

National banks may also perform real estate appraisals in connection with mortgage loans. Letter from Peter Liebesman, Assistant Director, Legal Advisory Services Division, May 4, 1988.

The most restrictive test of bank powers, that applied in *Arnold Tours, Inc. v. Camp*, 472 F.2d 427 (1st Cir. 1972), permits national banks to engage in an activity that is "convenient or useful in the performance of one of the bank's established activities pursuant to its express powers. . ." Since surveys, title searches, and title opinions are a necessary part of the real estate lending process, it would be convenient or useful for banks to be able to perform these tasks themselves. Surveying, performing title searches, and arriving at legal title opinions are at least as integral to the process of real estate lending as is the previously-authorized sale of title insurance. National banks may, therefore, perform surveys and title searches, and produce title opinions, in connection with their real estate mortgage business.

William B. Glidden
Assistant Director
Legal Advisory Services Division

* * *

451—August 8, 1988

This is in response to your letter of May 25, 1988, in which you provided your opinion that an acquisition of 87 percent of the Bank's outstanding common stock through foreclosure of a promissory note would not trigger the prior notice requirements of the Change in Bank Control Act of 1978 (Act), 12 U.S.C. § 1817(j). You stated that a violation of the Act would not arise because any acquisition of control would result from foreclosure of a debt previously contracted in good faith which, by regulation, is exempt from the Act's prior notice requirements. *See* 12 C.F.R. § 5.50(f)(3). Following our review of the facts of this case, we conclude that this exemption is not available and, therefore, any person or persons acting in concert who acquired "control" of the Bank through the foreclosure did so in violation of the Act.

As we understand the facts, on May 10, 1988, as part of a Bank recapitalization, a group of twelve individuals, as guarantors, purchased from the ***, a defaulted promissory note, collateralized by 87 percent of the Bank's outstanding voting stock. On May 20, the same twelve individuals foreclosed on the note and purchased the Bank stock at public auction. In order to complete this recapitalization, the Bank now intends to make a public offering of up to 100,000 shares of its newly authorized common stock.

You stated your opinion that any acquisition of control which may have resulted from the May 20 foreclosure by regulation is exempt from the Act's prior notice requirements as an acquisition of stock in satisfaction of a debt previously contracted in good faith (DPC exemption). *See* 12 C.F.R. § 5.50(f)(3). In your opinion, the Act's requirements are not applicable until following the completion of the public offering. It is our conclusion, however, that the DPC exemption is inapplicable in this case. Accordingly, the acquisition of Bank stock by the twelve individuals acting in concert to effect the recapitalization plan violated the Act.

The plain language of the Act states that no person or persons acting in concert shall acquire control of an insured bank through a "purchase, assignment, transfer, pledge, or other disposition of voting stock" without complying with the Act's prior notice requirements. 12 U.S.C. § 1817(j)(1). "Control" is defined in the Act as the power to direct a bank's management or policies or to vote 25 percent or more of a bank's voting stock. *See* 12 U.S.C. § 1817(j)(8)(B). By regulation, a rebuttable presumption of control arises if there is "purchase, assignment, transfer, pledge or other disposition of voting stock" through which a person acquires ownership, control, or the power to vote 10 percent or more of a bank's voting stock and, after the transaction, no other person owns a greater percentage of that class of voting stock. *See* 12 C.F.R. § 5.50(d)(1). While the acquisition of bank stock in satisfaction of a debt previously contracted in good faith is exempt from the prior notice requirements of the Act, that exemption is not available in this case.

In order for the "good faith" element of the DPC exemption to be satisfied, a lender must either make or acquire a loan secured by bank stock in advance of any known default. A person or persons acting in concert who purchase a previously defaulted loan secured by bank stock cannot rely on the DPC exemption to foreclose on that loan, seize or purchase the underlying collateral, and acquire control of the Bank while escaping the Act's prior notice requirements. Accordingly, when the twelve persons purchased the defaulted note in anticipation of foreclosure and subsequent purchase of the Bank stock, absent some other exemption, the prior notice requirements of the Act applied. We recognize, however, that

since Bank counsel discussed this plan with OCC personnel in the *** District Office prior to the May 10 purchase of the defaulted promissory note, this violation may not have been willful. Therefore, based on these specific facts, we will not recommend that the OCC assess a civil money penalty against the twelve individuals for violation of the Act.

We note that any person or persons who subscribe to purchase stock during the Bank's upcoming stock offering in an amount sufficient to constitute an acquisition of control of the Bank must observe the Act's prior notice requirements. In view of your representation that the notice requirements will be met in this instance, we will not require the twelve individuals to file a notice to reflect their acquisition of control resulting from the foreclosure. As this letter is based on the specific facts of this case as noted herein, should additional information come to our attention which would indicate that further action is warranted, the OCC reserves in all respects the right to take whatever action it deems appropriate.

Donald N. Lamson
Assistant Director
Securities & Corporate Practices Division

* * *

452—August 11, 1988

Linda Thomas Lowe, Esquire
Deputy Consumer Credit Code Administrator
Assistant Attorney General
Department of Justice
Hoover Building, 2d Floor
Des Moines, Iowa 50319

Re: Open-end Bank Credit Cards Issued by Citibank (South Dakota), N.A., and United Missouri Bank of Kansas City, N.A.

Dear Ms. Lowe:

This responds to your letter dated March 15, 1988, to Robert R. Klinzing, Deputy Comptroller for the Midwestern District of the Office of the Comptroller of the Currency (hereinafter, the OCC), and to your letter to me dated May 24, 1988. In your letter to Mr. Klinzing, you provide notice to the OCC of the determination of the Attorney General of the State of Iowa (hereinafter, the Iowa Attorney General) that three fees and charges provided for in open-end credit card agreements entered into between Citibank (South Dakota), N.A. (hereinafter, Citibank), and Iowa residents violate Chapter 537 of the Iowa Consumer Credit Code (hereinafter, the I.C.C.C.). Specifically, the three fees and charges to which your office expresses objections are Citibank's assessments of late fees, charges for nonsufficient funds (N.S.F.) checks received by Citibank in payment on a consumer credit account, and cash advance fees, which your letter indicates might not be included in the finance charge or calculated in the A.P.R.

Similarly, in your letter to me, you advise the OCC of the Iowa Attorney General's determination that three fees and charges provided for in "private label" consumer credit cards issued to Iowans by United Missouri Bank of Kansas City, N.A. (hereinafter, United Missouri), also violate the I.C.C.C. Those three fees and charges are late fees, N.S.F. charges, and payment by the consumer of the attorneys' fees incurred by United Missouri in any lawsuit it brings for collection on the account. For the reasons set forth below, it is my position that the laws of the states where the banks are located, South Dakota and Missouri, respectively, determine whether or not the banks can impose the foregoing fees and charges on Iowa residents.

I. The Banks' Credit Card Agreements With Iowa Residents are Governed by Federal Law and the Laws of the State Where Each Bank is Located.

The rate of interest that a national bank is permitted to charge on loans is governed by section 30 of the National Bank Act of 1864, codified in 12 U.S.C. § 85 and Interpretive Ruling 7.7310. Twelve U.S.C. § 85 authorizes a national bank to charge interest on any loan at:

> the rate allowed by the laws of the State, . . . <u>where the bank is located</u> . . . except that where by the laws of any State a different rate is limited for banks organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this chapter.[1] (12 U.S.C. §85 (emphasis added).)

The United States Supreme Court has interpreted the language cited as granting national banks "most favored lender" status, which means that a national bank may charge the highest interest rate allowed to other lenders by the laws of the state where it is located. *See Tiffany v. National Bank of Missouri*, 85 U.S. 409, 413 (1874); *Marquette National Bank v. First of Omaha Service Corporation* (hereinafter, *Marquette*), 439 U.S. 299, 314 n. 26 (1978). The "most favored lender" doctrine has been ratified consistently by the courts. *See, e.g., First National Bank in Mena v. Nowlin*, 509 F.2d 872 (8th Cir. 1975); *United Missouri Bank of Kansas City v. Danforth*, 394 F.

[1]It should be noted that section 85 also permits national banks alternatively to charge an interest rate of one percent above the discount rate on ninety-day commercial paper in effect at the Federal Reserve Bank in the Federal Reserve District where the bank is located.

Supp. 774 (W.D. Mo. 1975); *Attorney General of Maryland v. The Equitable Trust Company*, 294 Md. 385, 450 A.2d 1273 (1982). Similarly, the Supreme Court has found that section 85 incorporates state usury laws to determine the interest rate allowed by the state where the national bank is located. *See Daggs v. Phoenix National Bank*, 177 U.S. 549, 20 S. Ct. 732 (1900). These interpretations of section 85 are reflected in Interpretive Ruling 7.7310(a) as follows:

> A national bank may charge interest at the maximum rate permitted by State law to any competing State-chartered or licensed lending institution. If State law permits a higher interest rate on a specified class of loans, a national bank making such loans at such higher rate is subject only to the provisions of State law relating to such class of loans that are material to the determination of the interest rate. (12 C.F.R. § 7.7310(a).)

This Interpretive Ruling has never been questioned by any court and has been adopted by at least three courts as the basis for decisions involving the relationship between national banks and state usury laws. *See United Missouri Bank of Kansas City, N.A. v. Danforth, supra; Attorney General of Maryland v. The Equitable Trust Company, supra; Northway Lanes v. Hackley Union National Bank & Trust Company,* 464 F.2d 855 (6th Cir. 1972). The permission given to national banks to charge interest at the rate allowed by the laws of the state where the bank is located is designed to place national banks on an equal footing with the most favored state-chartered lenders in that state, and to protect national banks from unfriendly state legislation. *Marquette,* 439 U.S. at 314; *First National Bank of Mena v. Nowlin,* 509 F.2d at 880; *Commissioner of Small Loans v. First National Bank of Maryland,* 268 Md. 305, 300 A.2d 685 (1973).

In *Marquette,* the Supreme Court held that, pursuant to 12 U.S.C. § 85, a national bank may charge interest on loans at the highest rate allowed by the law of the state "where the bank is located", even where the borrower resides in a different state. *Marquette* involved the issue of whether a national bank chartered in the State of Nebraska was authorized under section 85 to charge its Minnesota credit card customers an interest rate allowed by Nebraska law (18 percent annual rate on the first $999.99, and 12 percent on higher amounts) but exceeding the rate permitted by Minnesota law (12 percent fixed annual rate plus annual fee of up to $15.00). Based on the fact that the bank's charter address was in Nebraska and that the bank had no branches in Minnesota, the Court held that the bank was "located" in Nebraska for purposes of section 85 and so could export Nebraska's credit card rate to customers residing in Minnesota. The State of Minnesota, however, argued that the credit card program itself was located in Minnesota, and so the bank could not charge the Nebraska rate. In its resounding rejection of that argument, the Court reasoned that the bank "cannot be deprived of [its Nebraska] location merely because it is extending credit to residents of a foreign State." 439 U.S. at 310. The Court further reasoned that if a national bank's location were to depend on the location of each of its credit transactions:

> [T]he meaning of the term "located" would be so stretched as to throw into confustion the complex system of modern interstate banking. A national bank could never be certain whether its contacts with residents of foreign States were sufficient to alter its location for purposes of section 85. We do not choose to invite these difficulties by rendering so elastic the term "located." (*Id.* at 312.)

The Court then rejected a suggestion by the State of Minnesota that section 85 somehow exempted interstate loans from its coverage. Based on its review of the legislative history of section 85, the Court concluded that Congress, when enacting section 85 in 1864, fully recognized the interstate nature of banking in the United States and drafted the statute to help facilitate a national banking system. *Id.* at 314-318. Based on the foregoing reasoning, the Court held that the bank was "located" in Nebraska for purposes of section 85. Accordingly, the bank was permitted to charge its customers the 18 percent interest rate permitted under Nebraska law, no matter where the customers resided.

The subject of your two letters are credit card agreements entered into with Iowa residents by Citibank and United Missouri. The banks' charter addresses and places of business are in South Dakota and Missouri, respectively. In addition, neither bank has branches in Iowa. Thus, *Marquette* dictates a finding that Citibank is located in South Dakota and that United Missouri is located in Missouri for purposes of section 85. Therefore, the state laws which determine whether the fees and charges imposed by the banks in their credit card agreements are material to the determination of interest rate, and so can be exported to the banks' Iowa customers, are South Dakota law and Missouri law, respectively, <u>not</u> Iowa law.

II. The Laws of the States Where the Banks are Located Determine Whether the Fees and Charges Provided for in the Banks' Credit Card Agreements With Iowa Residents are Material to the Determination of Interest Rate

A national bank which, pursuant to 12 U.S.C. § 85, adopts the maximum permissible interest rate under the laws of the state in which it is located also is subject to those provisions of that state's laws which are "material to the determination of the interest rate." 12 C.F.R. § 7.7310(a). Interpretive Ruling 7.7310 has been cited with approval by a number of courts. *See e.g., Marquette,* 439 U.S. at 314 n. 26; *First National Bank in Mena v. Nowlin, supra;*

Fisher v. First National Bank of Omaha, 548 F.2d 255, 260 (8th Cir. 1977); *Fisher v. First National Bank of Chicago*, 538 F.2d 1284, 1288 n. 9 (7th Cir. 1976). Stated otherwise by the United States Court of Appeals for the Eighth Circuit in *First National Bank in Mena:*

> The primary principle of construction of 12 U.S.C. § 85, to which *Evans*[2] might be considered a narrow exception, is that the federal Act adopts the entire case law of the state interpreting the state's limits on usury; it does not merely incorporate the numerical rate adopted by the state [citations omitted]. (509 F.2d at 876.)

In my opinion, the foregoing principle applies whether the "provision of State law" that is "material to the determination of the interest rate" is a specific provision that sets restrictions on the rates and terms of loan transactions or allows for certain fees or charges, or instead, is legislative silence by the state. For example, in *Daggs v. Phoenix National Bank,* 177 U.S. 549, 20 S. Ct. 732 (1900), the Supreme Court held that an Arizona law which allowed lenders and borrowers to contract for any rate of interest also allowed national banks to charge any rate of interest. In *Hiatt v. San Francisco National Bank,* 361 F.2d 504 (9th Cir. 1966), *cert. denied,* 385 U.S. 948 (1967), the U.S. Court of Appeals for the Ninth Circuit held that the silence of the California legislature regarding a maximum permissible interest rate had the same effect as did the Arizona law addressed in *Daggs*. Specifically, the Ninth Circuit stated:

> No specific maximum rates were "fixed" by the Arizona statute, but in true effect, the law in both Arizona and California has "fixed" the rates for state banks in the two jurisdictions as without limitation except such as may be established by agreements between the banks of the two states and those who borrow from them. (361 F.2d at 507.)

Thus, if a fee or other provision in a loan agreement is material to the determination of the interest rate, a national bank which adopts the maximum permissible interest rate under the law of the state in which it is located also is subject to that state's law pertaining to the fee or provision. As demonstrated above, this is so whether state law permits the provision by affirmative legislation or by the lack of legislation prohibiting it.

As stated above, whether the fees and charges provided for in a national bank's credit card agreements are provisions material to the determination of the interest rate depends on the law of the state where the bank is located.[3] However, set forth below is a discussion of case law addressing the issue of materiality.

In *Northway Lanes v. Hackley Union National Bank & Trust Company, supra*, the United States Court of Appeals for the Sixth Circuit concluded that when a national bank adopts the interest rate permitted by the law of the state in which it is located, it must also adopt that state's law pertaining to all fees and charges incurred in connection with making the loan. The issue before the Sixth Circuit was whether a national bank located in Michigan could impose certain add-on charges on real estate loans that state savings and loan associations, but not state banks, could impose. In concluding that national banks could impose such charges, the Sixth Circuit quoted with approval the following statement in the district court's opinion:

> Since a savings and loan association can in fact charge 7 percent interest and in addition thereto *** require a borrower to pay all reasonable and necessary charges incurred in connection with the making, closing and disbursing of real estate loans, it is the opinion of the court that a national banking association operating within the State of Michigan may do so also. To construe the Act otherwise would place a national bank in a competitively inferior position not contemplated by the federal statute. (464 F.2d at 864, *quoting,* 334 F. Supp. 723, 732 (W.D. Mich. 1971).)

In *Attorney General of Maryland v. The Equitable Trust Company, supra,* the Court of Appeals of Maryland defined "material to the determination of the interest rate" for purposes of Interpretive Ruling 7.7310(a) as "material to a judicial determination of whether or not the interest charged in a given transaction is unlawful." 450 A2d at 1292. The court found a broad range of credit card pro-

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[2]This refers to the Supreme Court's decision in *Evans v. First National Bank of Savannah*, 251 U.S. 108, 40 S.Ct. 58, 64 L. Ed. 171 (1919). In *Evans*, the Supreme Court held that a national bank in Georgia that had discounted short-term single payment notes and charged the maximum interest rate permissible under Georgia law, despite state prohibitions on discounting, had not violated section 85. The Supreme Court stated that under Section 85 the bank needed to look to state law only to determine numerical rate, and could discount despite any state law prohibitions. The Eighth Circuit in *First National Bank in Mena* questioned the soundness of the *Evans* holding and confined it to its own facts of single payment, short-term commercial paper. 509 F.2d at 876. The Eighth Circuit based its decision not to extend the holding to installment credit in part on the fact that installment credit was virtually nonexistent at the time of *Evans, id.,* and also in part on the emphasis that the *Evans* Court placed on the fact that discounting on single payment commercial paper was then widely practiced. *Id.* at 878.

[3]In addition, regarding Citibank's credit cards, South Dakota law defines interest on credit card accounts and all other loan transactions as including, *inter alia,* charges for each return of a dishonored check, S.D. CODIFIED LAWS ANN. 51-24-12.1, charges for unanticipated late payments, S.D. CODIFIED LAWS ANN. 54-3-1, "[o]ther charges made in connection with the revolving loan or charge account arrangement," S.D. CODIFIED LAWS ANN. 51-24-12.1, and "any other charges, direct or indirect, as an incident to or as a condition of the extension of credit," S.D. CODIFIED LAWS ANN. 54-3-1. Thus, it would appear that under South Dakota law, the law of the state where Citibank is located, late fees, N.S.F. charges, and cash advance fees are part of, and so are material to interest for the purposes of Interpretive Ruling 7.7310(a).

visions in the Maryland Consumer Loan Law, including a five dollar N.S.F. fee and a restriction on additional fees, to be "material" inasmuch as they would affect the amounts paid by the borrower on the loan.

The Supreme Court in *Marquette* also recognized the materiality of a national bank's annual credit card fees to the bank's determination of the interest rate it will charge on credit card loans. In *Marquette*, while Nebraska law permitted its lenders to charge a rate of 18 percent on credit card loans under $1,000.00 but prohibited such lenders from charging annual fees, Minnesota law "[t]o compensate for the reduced [12 percent] interest. . . permits banks to charge annual fees of up to $15 for the privilege of using a bank credit card." 439 U.S. at 302-03.

Based on the holdings and reasoning in *Northway Lanes* and *Marquette*, the OCC has taken the position that state law providing for or prohibiting annual credit card fees is material to the determination of interest rate within the meaning of Interpretive Ruling 7.7310. *See* Staff Interpretive Letter by Richard V. Fitzgerald, Director, Legal Advisory Services Division, dated November 24, 1980. Referring to *Marquette*, the letter states that "often a state legislature, in creating interest rate 'packages,' will compensate for a low interest rate ceiling by allowing a lender to charge specified fees." Staff Interpretive Letter at 4. Moreover, as the letter states, if a state law's prohibitions against annual credit card fees were to apply to out-of-state national banks:

> [A] national bank could be faced with the anomalous situation of being a "least favored lender," since it might be governed by the lower interest rate ceiling of the state where it is located but still not be permitted to levy the annual fees allowable under that state's laws. This anomalous situation could not have been intended by the authors of the National Bank Act. (*Id.* at 4.)

Citing *Northway Lanes*, Mr. Fitzgerald opined in his letter that all charges permitted or prohibited by state law in connection with particular types of loans may be defined as "interest." *Id.* at 3.

III. Conclusion

Based on the foregoing reasoning, I conclude that whether it is permissible for Citibank (South Dakota), N.A., and United Missouri Bank of Kansas City, N.A., to charge their Iowa credit card customers the fees and charges described in your two letters depends on whether, under the laws of their respective home states, such fees and charges are material to the determination of the interest rates charged by those banks.

I trust that this has been responsive to your inquiry.

Robert B. Serino
Deputy Chief Counsel (Policy)

* * *

453—October 20, 1988

This is in response to your August 30, 1988, letter requesting an opinion on whether a national bank may pledge its assets to secure trust funds on deposit which exceed the $100,000 FDIC limit.

A national bank must pledge assets to secure trust funds on deposit which are awaiting investment or distribution. *See, e.g.*, OCC Trust Interpretation Number 139, February 1988, which states, "A national bank is required, under 12 U.S.C. 92a(d) and 12 C.F.R. 9.10(b), to secure fiduciary funds deposited with it, but such pledge is specifically limited to uninsured (by the Federal Deposit Insurance Corporation) funds awaiting investment or distribution." This rule applies to all national bank trust departments in the United States.

However, when trust funds are deposited for investment, pursuant to authority in the trust instrument, court order or local law, the bank may not secure those funds by pledging its assets. *See* 12 C.F.R. §7.7410; *Comptroller's Handbook for National Trust Examiners*, §1101.4, ¶9.3210 (1987).

You also asked when deposited fiduciary funds are considered to be "awaiting investment or distribution." Twelve C.F.R. §9.10(a) requires that such funds "not be held uninvested or undistributed any longer than is reasonable for the proper management of the account." This obviously depends upon the circumstances of each case.

I trust that this reply is responsive to your inquiry.

William B. Glidden
Assistant Director
Legal Advisory Services Division

* * *

454—October 20, 1988

This responds to your July 29, 1988, letter requesting an opinion on whether a brokerage subsidiary of *** may be called "***." The answer to your question is that the proposed name would be illegal.

As you noted in your letter, 18 U.S.C. § 709 prohibits the use of "national" by various types of organizations, including banks and brokerage firms, unless specifically authorized by law. National banks may — indeed, must — use the word "national" in their names. *See* 12 U.S.C.

§§ 22, 30. Absent a comparable specific statutory authority for the brokerage subsidiary, the use of the word "national" in the subsidiary's name would violate 18 U.S.C. § 709.

William B. Glidden
Assistant Director
Legal Advisory Services Division

* * *

455—November 16, 1988

This letter responds to the written request of Bank, N.A. (the Bank) dated September 7, 1988 transmitting a "Proposal for Issuance of 'Tax Letters' on LDC Transfer Risk Charge-Offs By [the] Comptroller of the Currency." Bank's request proposes that the Office of the Comptroller of the Currency (the Office) begin to provide individual banks with "tax letters' to support the tax deductibility of bank-initiated, transfer risk charge-offs where no (or a lesser) Allocated Transfer Risk Reserve (ATRR) requirement is imposed by the Federal bank regulatory agencies. Bank's request is further supported by information provided to the Office during my meeting with you and your colleagues in *** on July 6, 1988 and by your subsequent meetings in *** on July 28, 1988.

Background

The proposed tax letter, cast in terms of a "bank specific" order to charge-off, would be the result of examination procedures permitting a National Bank Examiner to distinguish between banks, but would be supported by a regulatory policy applied consistently from bank-to-bank. The tax letter would confirm that the Office direct such charge-offs be made as if an examination of the bank had occurred at the time the tax letter was issued. Bank maintains the Office is particularly well equipped to evaluate the reasonablenss of when loans should be charged off and that, by executing this function, the OCC would facilitate the functioning of tax policy. By failing to exercise such discretionary authority to confirm the charge-off and consequent tax deduction, Bank maintains that the effect is to "discriminat[e] against those [banks] in a weaker position," namely those banks unable for financial reasons to sell LDC debt in the secondary market or to engage in debt-for-equity conversion or other transactions.

As background, a Bank's request cites the large and growing secondary market for developing country (LDC) debt and the recent substantial provisioning that has taken place among virtually all holders of LDC debt, particularly large money center and regional banks in this country. At the same time that expanded secondary trading and increased loan loss provisioning have arisen, Bank correctly points out that statutory changes contained in the Tax Reform Act of 1986 (the Tax Reform Act) removed the prior tax deductibility for creation of loan loss reserves unless the taxpayer elected to realize a loss within the meaning of the Tax Reform Act. As Bank recognizes, one such way to realize a loss would be outright sale of LDC debt or participation in a debt-for-equity conversion transaction (see OCC Banking Circular No. 200).

Analysis

We agree with the underlying premise that individual bank responses to transfer risk vary, and that those differing responses may affect the judgment of individual banks as to the timing and amount of charge-offs. In that connection, we have encouraged banks to strengthen capital and support a conservative posture by banks with respect to the determination of appropriate levels of loan loss reserves for the LDC debt. From an earnings and capital standpoint, we are also sympathetic to the desire to minimize the difference between losses that are recognized for book purposes and losses that are deductible for income tax purposes. Nevertheless, although we take no serious exception to the arguments presented in its favor, those arguments do not overcome our concern about several aspects of the proposal which, in our view, make its adoption undesirable and unworkable from both a supervisory and a policy standpoint.

It is a long-standing objective of the Federal bank regulatory agencies that, for examination purposes, the same or similar risks be treated consistently across the entire population of banks. Given that supervisory objective, we believe that it would be undesirable to uncouple the on-site examiner's determination as to the required level of transfer risk charge-off for an individual bank from the Interagency Country Exposure Review Committee's (ICERC) judgment as to the classification of transfer risk for a country. In dealing with entire countries and sovereign credits, the effect of Bank's proposal would be to allow individual examiners to make transfer risk charge-off determinations on a case-by-case (i.e. bank-by-bank) basis without regard to ICERC's judgment on the transfer risk rating of the subject country, which raises the spectre of inconsistency of application and excessive subjectivity.

For many of the largest domestic loans, we have achieved the goal of examination consistency through the Shared National Credit Program (SNCP) administered through the Office's Multinational & Regional Bank Supervision Department. Domestic loans falling under the jurisdiction of the SNCP are reviewed annually at the lead bank, with the classification and any required charge-off applied consistently at all of the other banks participating in the credit. With respect to cross-border loans, the Federal bank regulatory agencies have vested the ICERC with

exclusive regulatory authority for determining the transfer risk rating of a country and, since the passage of the International Lending Supervision Act of 1983 (12 U.S.C. 901 et seq.) (ILSA), for recommending the level of ATRR to be required for that risk (see 12 C.F.R. 20.8). Under the current regulatory scheme, examiners from all three Federal banking agencies are bound by the ICERC's judgment of the transfer risk associated with a given country, and the ATRR requirement is applied consistently to all banks with exposure to that country. By separating the judgment as to charge-off from the judgment as to transfer risk rating, the requested "bank specific" approach would create a parallel and inconsistent mechanism for determining transfer risk charge-offs and would reintroduce one of the very problems that ICERC was created to resolve: specifically, the differing treatment of transfer risk by examiners from one bank to the next.

Apart from the question of examination consistency, it seems likely that adoption of the proposal for tax letters could not be limited strictly to bank-initiated, transfer risk charge-offs but would logically be extended to all of a bank's self-initiated charge-offs. The inevitable consequence of extending Bank's tax letter proposal to domestic and other credits would mean a multiplication of the level of resources required by the Office to perform its examination and supervision functions.

From a policy standpoint, the Office has always encouraged and continues to encourage the build-up of capital reserves as a means of cushioning the impact of nonperforming and rescheduled LDC debts. In addition, the Office has recently ruled favorably on national bank applications to dispose of LDC debt by engaging in debt-for-equity and debt-for-bond transactions. [see OCC No-Objection Letter No. 87-10 (November 27, 1987), *reprinted in* Fed. Banking L. Rep. (CCH) 84,039; OCC No-Objection Letter No. 88-7 (May 20, 1988), *reprinted in* Fed. Banking L. Rep. (CCH) 84,047; and, OCC Interpretive Letter No. 410 (January 15, 1988) Fed. Banking L. Rep. (CCH) 85, 634]. While each of these transactions generated losses for both book and tax purposes, the approved transactions arguably strengthened the banks involved by reducing the amount of LDC debt as a percentage of total assets and by enabling the banks to realize and repatriate their assets with more certainty and in a reduced timeframe from the terms of reschedulings applicable to sovereign debt.

As to Bank's argument that the Office should adopt a rule to allow tax credits (charge-offs) without sale, disposition or other recognition of loss, we refer to legislative intent and general policy surrounding enactment of the Tax Reform Act. Further, we are not persuaded by Bank's contention that the inability to receive tax credits without disposing of LDC debt amounts to discrimination against weaker institutions in favor of stronger ones. To the contrary, any rule that allowed an institution to treat an asset as charged-off (and receive a tax deduction) while still continuing to hold the asset and collect interest and principal, as paid, would in our view favor nondisposition of LDC debt over policies designed to facilitate debt reduction in developing countries and market-oriented solutions to the LDC debt problem.

We appreciate the concerns that Bank raises, but for the reasons outlined above we decline to adopt Bank's proposal to provide tax letters in support of bank-initiated transfer risk related charge-offs. We believe that ICERC adequately serves the function of determining country transfer risk and provides a uniform standard for supporting tax deductions in accordance with the ATRR process.

Edwin H. Clock
Deputy Comptroller of the Currency
International Banking and Finance

* * *

Mergers—October 1 to December 31, 1988

Mergers consummated involving two or more operating banks.

The transactions in this section do not have an accompanying decision. The OCC reviewed the competitive effects of the proposals by using its standard procedures for determining whether the transaction had minimal or no adverse competitive effects. The Office found the proposals satisfied its criteria for a transaction that clearly had no or minimal adverse competitive effects.

FIRST NATIONAL BANK OF HUNTSVILLE,
Huntsville, Texas, and First National Bank*South, Huntsville, Texas

Names of banks and type of transaction	*Total assets*
First National Bank of Huntsville, Huntsville, Texas (4208), with	$ 111,927,000
and First National Bank*South, Huntsville, Texas (18343) with	14,779,000
merged October 1, 1988, under charter and title of the former. The merged bank at date of merger had	126,195,000

* * *

THE FIRST NATIONAL BANK OF HUTCHINSON,
Hutchinson, Minnesota, and Dassel State Bank, Dassel, Minnesota

Names of banks and type of transaction	*Total assets*
The First National Bank of Hutchinson, Hutchinson, Minnesota (14216), with	$ 43,746,000
and Dassel State Bank, Dassel, Minnesota, with	18,404,000
merged October 1, 1988, under charter and title of the former. The merged bank at date of merger had	62,096,000

* * *

KEY BANK OF SOUTHEASTERN NEW YORK, NATIONAL ASSOCIATION,
Newburgh, New York, and Key Bank of Long Island, Sayville, New York

Names of banks and type of transaction	*Total assets*
Key Bank of Southeastern New York, National Association, Newburgh, New York (1349), with	$ 687,389,000
and Key Bank of Long Island, Sayville, New York, with	200,040,000
merged October 1, 1988, under charter and title of the former. The merged bank at date of merger had	922,787,000

* * *

NORWEST BANK MARION, NATIONAL ASSOCIATION,
Marion, Iowa, and Peoples Bank and Trust Company, Cedar Rapids, Iowa

Names of banks and type of transaction	*Total assets*
Norwest Bank Marion, National Association, Marion, Iowa (117), with	$ 83,669,000
and Peoples Bank and Trust Company, Cedar Rapids, Iowa, with	262,491,000
merged October 1, 1988, under charter of the former and title "Norwest Bank Cedar Rapids, National Association" in Cedar Rapids. The merged bank at date of merger had	329,554,000

* * *

STAR BANK, NATIONAL ASSOCIATION, TRI-STATE,
Ironton, Ohio, and The Commercial and Savings Bank of Gallipolis, Gallipolis, Ohio

Names of banks and type of transaction	*Total assets*
Star Bank, National Association, Tri-State, Ironton, Ohio (16607), with	$ 165,624,000
and The Commercial and Savings Bank of Gallipolis, Gallipolis, Ohio, with	66,094,000
merged October 1, 1988, under charter and title of the former. The merged bank at date of merger had	231,718,000

* * *

THE AMERICAN NATIONAL BANK OF ST. JOSEPH,
St Joseph, Missouri, and Belt American Bank of St. Joseph, St. Joseph, Missouri

Names of banks and type of transaction	Total assets
The American National Bank of St Joseph, St. Joseph, Missouri (6272), with	$ 236,431,000
and Belt American Bank of St Joseph, St. Joseph, Missouri, with	81,125,000
merged October 3, 1988, under charter and title of the former. The merged bank at date of merger had	315,891,000

* * *

THE FIRST JERSEY NATIONAL BANK,
Jersey City, New Jersey, and The First Jersey National Bank/South, Atlantic City, New Jersey

Names of banks and type of transaction	Total assets
The First Jersey National Bank, Jersey City, New Jersey (374), with	$3,433,702,000
and The First Jersey National Bank/South, Atlantic City, New Jersey (16397), with	1,222,145,000
merged October 8, 1988, under charter and title of the former. The merged bank at date of merger had	4,632,847,000

* * *

NBD TRUST COMPANY OF FLORIDA, NATIONAL ASSOCIATON,
North Palm Beach, Florida, and Trust Company of Naples, Naples, Florida

Names of banks and type of transaction	Total assets
NBD Trust Company of Florida, National Association, North Palm Beach, Florida (17391), with	$ 733,829,000
and Trust Company of Naples, Naples, Florida, with	1,979,347,000
merged October 11, 1988, under charter and title of the former. The merged bank at date of merger had	923,210,000

* * *

THE NATIONAL BANK OF SOUTH CAROLINA,
Sumter, South Carolina, and Lake City State Bank, Lake City, South Carolina

Names of banks and type of transaction	Total assets
The National Bank of South Carolina, Sumter, South Carolina (10660), with	$ 414,982,000
and Lake City State Bank, Lake City, South Carolina, with	55,414,000
merged October 17, 1988, under charter and title of the former. The merged bank at date of merger had	465,076,000

* * *

THE FIRST JERSEY NATIONAL BANK,
Jersey City, New Jersey, and The First Jersey National Bank/Central, Trenton, New Jersey

Names of banks and type of transaction	Total assets
The First Jersey National Bank, Jersey City, New Jersey (374), with	$2,949,303,000
and The First Jersey National Bank/Central, Trenton, New Jersey (3709), with	555,267,000
merged October 22, 1988, under charter and title of the former. The merged bank at date of merger had	3,433,702,000

* * *

BANK IV WICHITA, NATIONAL ASSOCIATION,
Wichita, Kansas, and Bank of Mid-America, Wichita, Kansas

Names of banks and type of transaction	Total assets
Bank IV Wichita, National Association, Wichita, Kansas (12490), with	$1,438,756,000
and Bank of Mid-America, Wichita, Kansas, with	43,562,000
merged October 28, 1988, under charter and title of the former. The merged bank at date of merger had	1,481,697,000

* * *

FIRST OF AMERICA BANK-ROCKFORD, NATIONAL ASSOCIATION,
Rockford, Illinois, and Boone State Bank, Belvidere, Illinois

Names of banks and type of transaction	Total assets
First of America Bank-Rockford, National Association, Rockford, Illinois (14511), with	$ 198,438,000
and Boone State Bank, Belvidere, Illinois, with	29,520,000
merged November 1, 1988, under charter and title of the former. The merged bank at date of merger had	226,672,000

* * *

SPRING NATIONAL BANK,
Spring, Texas, and Southwest National Bank, Houston, Texas

Names of banks and type of transaction	Total assets
Spring National Bank, Spring, Texas (18627), with	$ 39,826,000
and Southwest National Bank, Houston, Texas (18610), with	18,077,000
merged November 3, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

THE FIRST NATIONAL BANK OF WINNSBORO,
Winnsboro, Texas, and American National Bank, Tyler, Texas

Names of banks and type of transaction	Total assets
The First National Bank of Winnsboro, Winnsboro, Texas (5674), with	$ 73,566,000
and American National Bank, Tyler, Texas (17380), with	25,506,000
merged November 10, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

SECURITY PACIFIC ASIAN BANK, N.A.,
Los Angeles, California, and Security Pacific Asian Banking Corporation, N.A., Los Angeles, California

Names of banks and type of transaction	Total assets
Security Pacific Asian Bank, N.A. (formerly American Asian Bank), Los Angeles, California (21841), with	$ 220,522,000
and Security Pacific Asian Banking Corporation, N.A., Los Angeles, California (16891), with	113,355,000
merged November 10, 1988, under charter and title of the former. The merged bank at date of merger had	342,753,000

* * *

BOATMEN'S FIRST NATIONAL BANK OF KANSAS CITY,
Kansas City, Missouri, and Boatmen's Raytown Bank, Raytown, Missouri, and Boatmen's Bank of Lee's Summit, Lee's Summit, Missouri, and Boatmen's Bank of Belton, Belton, Missouri, and Boatmen's Bank of Excelsior Springs, Excelsior Springs, Missouri, and Boatmen's Bank of Independence, Independence, Missouri, and Boatmen's North Hills Bank, Kansas City, Missouri

Names of banks and type of transaction	Total assets
Boatmen's First National Bank of Kansas City, Kansas City, Missouri (3456) with	$1,932,613,000
and Boatmen's Raytown Bank, Raytown, Missouri, with	153,650,000
and Boatmen's Bank of Lee's Summit, Lee's Summit, Missouri, with	75,459,000
and Boatmen's Bank of Belton, Belton, Missouri, with	58,300,000
and Boatmen's Bank of Excelsior Springs, Excelsior Springs, Missouri, with	38,896,000
and Boatmen's Bank of Independence, Independence, Missouri, with	63,300,000
and Boatmen's North Hills Bank, Kansas City, Missouri, with	99,388,000
merged November 14, 1988, under charter and title of Boatmen's First National Bank of Kansas City. The merged bank at date of merger had	2,409,294,000

* * *

WYOMING NATIONAL BANK CASPER,
Casper, Wyoming, and Wyoming National Bank Casper East, Casper, Wyoming and Wyoming National Bank Casper West, Casper, Wyoming

Names of banks and type of transaction	Total assets
Wyoming National Bank Casper, Casper, Wyoming (10533), with	$ 184,181,000
and Wyoming National Bank Casper East, Casper, Wyoming (16818), with	12,576,000
and Wyoming National Bank Casper West, Casper, Wyoming (18217), with	18,808,000
merged November 14, 1988, under charter and title of Wyoming National Bank Casper. The merged bank at date of merger had	215,565,000

* * *

THE FIRST NATIONAL BANK OF BONHAM,
Bonham, Texas, and East Texas State Bank, Buna, Texas

Names of banks and type of transaction	Total assets
The First National Bank of Bonham, Bonham, Texas (3094), with	$ 41,722,000
and East Texas State Bank, Buna, Texas, with	22,090,000
merged November 17, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

HIBERNIA NATIONAL BANK,
New Orleans, Louisiana, and First National Bank, Covington, Louisiana

Names of banks and type of transaction	Total assets
Hibernia National Bank, New Orleans, Louisiana (13688), with	$5,363,874,000
and First National Bank, Covington, Louisiana (14989), with	333,572,000
merged November 18, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

NAPER BANK, NATIONAL ASSOCIATION,
Naperville, Illinois, and Naper Bank Bolingbrook, Bolingbrook, Illinois

Names of banks and type of transaction	Total assets
Naper Bank, National Association, Naperville, Illinois (14115), with	$ 234,537,000
and Naper Bank Bolingbrook, Bolingbrook, Illinois, with	36,961,000
merged November 21, 1988, under charter and title of the former. The merged bank at date of merger had	275,698,000

* * *

WYOMING NATIONAL BANK CHEYENNE,
Cheyenne, Wyoming, and Wyoming National Bank Cheyenne East, Cheyenne, Wyoming

Names of banks and type of transaction	Total assets
Wyoming National Bank, Cheyenne, Cheyenne, Wyoming (2652), with	$ 105,270,000
and Wyoming National Bank Cheyenne East, Cheyenne, Wyoming (18574), with	12,470,000
merged November 21, 1988, under charter and title of the former. The merged bank at date of merger had	117,140,000

* * *

FIRST GALESBURG NATIONAL BANK AND TRUST COMPANY,
Galesburg, Illinois, and First National Bank in Galva, Galva, Illinois

Names of banks and type of transaction	Total assets
First Galesburg National Bank and Trust Company, Galesburg, Illinois (241), with	$ 155,064,000
and First National Bank in Galva, Galva, Illinois (14159), with	28,366,000
merged November 30, 1988, under charter and title of the former. The merged bank at date of merger had	181,530,000

* * *

STAR BANK, NATIONAL ASSOCIATION, SOUTHEASTERN INDIANA,
Lawrenceburg, Indiana, and Star Bank, National Association, Aurora, Indiana

Names of banks and type of transaction	Total assets
Star Bank, National Association, Southeastern Indiana, Lawrenceburg, Indiana (2612), with	$ 68,216,000
and Star Bank, National Association, Aurora, Indiana (699), with	57,730,000
merged November 30, 1988, under charter and title of the former. The merged bank at date of merger had	125,946,000

* * *

UNITED BANK OF ILLINOIS, NATIONAL ASSOCIATION,
Rockford, Illinois, and United Bank of Belvidere, Belvidere, Illinois

Names of banks and type of transaction	Total assets
United Bank of Illinois, National Association, Rockford, Illinois (14533), with	$ 276,290,000
and United Bank of Belvidere, Belvidere, Illinois, with	51,637,000
merged November 30, 1988, under charter and title of the former. The merged bank at date of merger had	326,767,000

* * *

COLONIAL NATIONAL BANK,
Denver, Colorado, and Enterprise National Bank, Englewood, Colorado

Names of banks and type of transaction	Total assets
Colonial National Bank, Denver, Colorado (17459), with	$ 10,989,000
and Enterprise National Bank, Englewood, Colorado (18239), with	5,806,000
merged December 1, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

COMMERCE BANK OF KANSAS CITY, NATIONAL ASSOCIATION,
Kansas City, Missouri, and Commerce Bank of Lexington, National Association, Lexington, Missouri, and Commerce Bank of Harrisonville, National Association, Harrisonville, Missouri

Names of banks and type of transaction	Total assets
Commerce Bank of Kansas City, National Assocation, Kansas City, Missouri (15985), with	$1,360,371,000
and Commerce Bank of Lexington, National Association, Lexington, Missouri (20916), with	35,539,000
and Commerce Bank of Harrisonville, National Association, Harrisonville, Missouri (6343), with	49,056,000
merged December 1, 1988, under charter and title of Commerce Bank of Kansas City, National Association. The merged bank at date of merger had	1,437,564,000

* * *

CORNERSTONE BANK, NATIONAL ASSOCIATION,
Dallas, Texas, and Oak Lawn Bank, National Association, Dallas, Texas

Names of banks and type of transaction	Total assets
Cornerstone Bank, National Association, Dallas, Texas (20212), with	$ 139,301,000
and Oak Lawn Bank, National Association, Dallas, Texas (17617), with	10,577,000
merged December 1, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

FIRST NATIONAL BANK AT LUBBOCK,
Lubbock, Texas, and Bank of the West, Lubbock, Texas

Names of banks and type of transaction	Total assets
First National Bank at Lubbock, Lubbock, Texas (14208), with	$ 616,979,000
and Bank of the West, Lubbock, Texas, with	33,930,000
merged December 1, 1988, under charter and title of the former. The merged bank at date of merger had	648,021,000

* * *

FIRST NATIONAL BANK OF TEMPLE,
Temple, Texas, and Texana National Bank of Belton, Belton, Texas

Names of banks and type of transaction	Total assets
First National Bank of Temple, Temple, Texas (13778), with	$ 157,214,000
and Texana National Bank of Belton, Belton, Texas (18262), with	20,434,000
merged December 1, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

NORWEST BANK FARIBAULT, NATIONAL ASSOCIATION,
Faribault, Minnesota, and Norwest Bank Owatonna, National Association, Owatonna, Minnesota

Names of banks and type of transaction	Total assets
Norwest Bank of Faribault, National Association, Faribault, Minnesota (11668), with	$ 126,781,000
and Norwest Bank Owatonna, National Association, Owatonna, Minnesota (16196), with	124,011,000
merged December 1, 1988, under charter of the former and title "Norwest Bank Minnesota South, National Association." The merged bank at date of merger had	249,742,000

* * *

TEXAS COMMERCE BANK, NATIONAL ASSOCIATION,
Houston, Texas, and Union Bank of Houston, Houston, Texas

Names of banks and type of transaction	Total assets
Texas Commerce Bank, National Association, Houston, Texas (10225), with	$11,638,350,000
and Union Bank of Houston, Houston, Texas, with	61,918,000
merged December 1, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

CCNB BANK, N.A.,
New Cumberland, Pennsylvania, and The First National Bank of Loysville, Loysville, Pennsylvania

Names of banks and type of transaction	Total assets
CCNB Bank, N.A., New Cumberland, Pennsylvania (14542), with	$ 34,450,000
and The First National Bank of Loysville, Loysville, Pennsylvania (11524), with	699,646,000
merged December 2, 1988, under charter and title of the former. The merged bank at date of merger had	733,996,000

* * *

FIRST NATIONAL BANK IN VIROQUA,
Viroqua, Wisconsin, and Farmers State Bank, Viola, Wisconsin

Names of banks and type of transaction	Total assets
First National Bank in Viroqua, Viroqua, Wisconsin (14058), with	$ 29,888,000
and Farmers State Bank, Viola, Wisconsin, with	9,259,000
merged December 5, 1988, under charter and title of the former. The merged bank at date of merger had	39,147,000

* * *

CITIBANK (FLORIDA), NATIONAL ASSOCIATION,
Dania, Florida, and Caribank, Dania, Florida

Names of banks and type of transaction	Total assets
Citibank (Florida), National Association, Dania, Florida (21940), with	$ 50,000,000
and Caribank, Dania, Florida, with	510,000,000
merged December 9, 1988, under charter and title of the former. The merged bank at date of merger had	560,000,000

* * *

THE FIRST NATIONAL MERCANTILE BANK OF MONETT,
Monett, Missouri, and McDonald County Mercantile Bank, Pineville, Missouri

Names of banks and type of transaction	Total assets
The First National Mercantile Bank of Monett, Monett, Missouri (5973), with	$ 58,739,000
and McDonald County Mercantile Bank, Pineville, Missouri, with	24,513,000
merged December 9, 1988, under charter of the former and title of "First National Mercantile Bank." The merged bank at date of merger had	83,252,000

* * *

BELLINGHAM NATIONAL BANK,
Bellingham, Washington, and Community State Bank, Blaine, Washington

Names of banks and type of transaction	Total assets
Bellingham National Bank, Bellingham, Washington (21735), with	$ 194,511,000
and Community State Bank, Blaine, Washington, with	17,318,000
merged December 10, 1988, under charter and title of the former. The merged bank at date of merger had	210,079,000

* * *

FIRST INTERSTATE BANK OF TEXAS, NATIONAL ASSOCIATION,
Houston, Texas, and First Interstate Bank of Port Arthur, Port Arthur, Texas, and First Interstate Bank of North San Antonio, San Antonio, Texas, and First Interstate Bank of Oak Cliff, Dallas, Texas, and First Interstate Bank of Waxahachie, National Association, Waxahachie, Texas, and First Interstate Bank of Cedar Hill, National Association, Cedar Hill, Texas, and First Interstate Bank of Angleton, National Association, Angleton, Texas, and First Interstate Bank of Longview, Longview, Texas, and First Interstate Bank of Bedford, Bedford, Texas, and First Interstate Bank of Conroe, Conroe, Texas, and First Interstate Bank of Fort Worth, Fort Worth, Texas, and First Interstate Bank of Beaumont, National Association, Beaumont, Texas, and First Interstate Bank of North Dallas, National Association, Dallas, Texas, and First Interstate Bank of Aransas County, Aransas County, Texas, and First Interstate Bank of North Richland Hills, National Association, Fort Worth, Texas, and First Interstate Bank of Irving, Irving, Texas, and First Interstate Bank of Plano, National Association, Plano, Texas, and First Interstate Bank of Northwest San Antonio, National Association, San Antonio, Texas, and First Interstate Bank of Dallas, Dallas, Texas, and First Interstate Bank Brookhollow, Dallas, Texas, and First Interstate Bank of Keller, National Association, Keller, Texas, and First Interstate Bank of North Central, National Association, Dallas, Texas, and First Interstate Bank of Arlington, Arlington, Texas, and First Interstate Bank of Missouri City, Missouri City, Texas, and First Interstate Bank of Austin, Austin, Texas, and First Interstate Bank of North Austin, Austin, Texas, and First Interstate Bank of Marble Falls, Marble Falls, Texas, and First Interstate Bank of South Austin, Austin, Texas, and First Interstate Bank of Marshall, Marshall, Texas, and First Interstate Bank of Mesquite, National Association, Mesquite, Texas

Names of banks and type of transaction	Total assets
First Interstate Bank of Texas, National Association, Houston, Texas (17612), with	$ 5,569,837,000
and First Interstate Bank of Port Arthur, Port Arthur, Texas, with	245,909,000
and First Interstate Bank of North San Antonio, San Antonio, Texas, with	88,013,000
and First Interstate Bank of Oak Cliff, Dallas, Texas, with	68,108,000
and First Interstate Bank of Waxahachie, National Association, Waxahachie, Texas (16488), with	29,326,000
and First Interstate Bank of Cedar Hill, National Association, Cedar Hill, Texas (17598), with	24,904,000
and First Interstate Bank of Angleton, National Association, Angleton, Texas (14204), with	70,183,000
and First Interstate Bank of Longview, Longview, Texas, with	21,270,000
and First Interstate Bank of Bedford, Bedford, Texas, with	90,505,000
and First Interstate Bank of Conroe, Conroe, Texas, with	167,899,000
and First Interstate Bank of Fort Worth, Fort Worth, Texas, with	60,843,000
and First Interstate Bank of Beaumont, National Association, Beaumont, Texas (15269), with	136,376,000
and First Interstate Bank of North Dallas, National Association, Dallas, Texas (16725), with	45,802,000
and First Interstate Bank of Aransas County, Aransas County, Texas, with	56,177,000
and First Interstate Bank of North Richland Hills, National Association, Fort Worth, Texas (14982), with	210,649,000
and First Interstate Bank of Irving, Irving, Texas, with	122,676,000
and First Interstate Bank of Plano, National Association, Plano, Texas (17059), with	25,045,000
and First Interstate Bank of Northwest San Antonio, National Association, San Antonio, Texas (18662), with	19,020,000
and First Interstate Bank of Dallas, Dallas, Texas, with	684,465,000
and First Interstate Bank Brookhollow, Dallas, Texas, with	57,617,000
and First Interstate Bank of Keller, National Association, Keller, Texas (20022), with	14,694,000
and First Interstate Bank of North Central, National Association, Dallas, Texas (18237), with	30,804,000

and First Interstate Bank of Arlington, Arlington, Texas, with	26,212,000
and First Interstate Bank of Missouri City, Missouri City, Texas, with	51,238,000
and First Interstate Bank of Austin, Austin, Texas, with	32,666,000
and First Interstate Bank of North Austin, Austin, Texas, with	64,304,000
and First Interstate Bank of Marble Falls, Marble Falls, Texas, with	148,922,000
and First Interstate Bank of South Austin, Austin, Texas, with	22,332,000
and First Interstate Bank of Marshall, Marshall, Texas, with	38,532,000
and First Interstate Bank of Mesquite, National Association, Mesquite, Texas (6140), with	143,136,000
merged December 12, 1988, under the charter and title of the First Interstate Bank of Texas, National Association. The merged bank at date of merger had	7,566,269,000

* * *

CORNERSTONE BANK, NATIONAL ASSOCIATION, Dallas, Texas, and Texas National Bank, Dallas, Texas

Names of banks and type of transaction	*Total assets*
Cornerstone Bank, National Association, Dallas, Texas (20212), with	$ 139,301,000
and Texas National Bank, Dallas, Texas (17250), with	44,184,000
merged December 15, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

FIRST CITY NATIONAL BANK OF FORT WORTH, Fort Worth, Texas, and First City Bank-Forest Hill, Forest Hill, Texas

Names of banks and type of transaction	*Total assets*
First City National Bank of Fort Worth, Fort Worth, Texas (17432), with	$ 58,100,000
and First City Bank-Forest Hill, Forest Hill, Texas, with	42,800,000
merged December 15, 1988, under charter and title of the former. The merged bank at date of merger had	97,200,000

NOTE: Bd of Governors for First City Bank-Forest Hill merging with First City Bank of Dallas ¶ 55'230

FIRST CITY NATIONAL BANK OF HOUSTON, Houston, Texas, and First City National Bank of Richmond, Richmond, Texas

Names of banks and type of transaction	*Total assets*
First City National Bank of Houston, Houston, Texas (13943), with	$ 99,099,000
and First City National Bank of Richmond, Richmond, Texas (12648), with	77,500,000
merged December 15, 1988, under charter and title of the former. The merged bank at date of merger had	99,099,000

* * *

PEOPLES NATIONAL BANK, Bogata, Texas, and First National Bank in Bogata, Bogata, Texas

Names of banks and type of transaction	*Total assets*
Peoples National Bank, Bogata, Texas (21944), with	$ 1,176,000
and First National Bank in Bogata, Bogata, Texas (14534), with	13,310,000
merged December 15, 1988, under charter and title of the former. The merged bank at date of merger had	14,554,000

* * *

BANK IV TOPEKA, NATIONAL ASSOCIATION, Topeka, Kansas, and Fairlawn Plazabank, Topeka, Kansas

Names of banks and type of transaction	*Total assets*
Bank IV Topeka, National Association, Topeka, Kansas (3078), with	$ 414,289,000
and Fairlawn Plazabank, Topeka, Kansas, with	20,122,000
merged December 16, 1988, under charter and title of the former. The merged bank at date of merger had	433,018,000

* * *

THE FIRST NATIONAL BANK OF ORDWAY,
Ordway, Colorado, and First Industrial Bank of Rocky Ford, Rocky Ford, Colorado

Names of banks and type of transaction	Total assets
The First National Bank of Ordway, Ordway, Colorado (8695), with	$ 11,064,000
and First Industrial Bank of Rocky Ford, Rocky Ford, Colorado, with	12,489,000
merged December 16, 1988, under charter and title of the former. The merged bank at date of merger had	NA

* * *

THE FIRST NATIONAL BANK OF HASTINGS,
Hastings, Minnesota, and First National Bank, Spring Valley, Minnesota

Names of banks and type of transaction	Total assets
The First National Bank of Hastings, Hastings, Minnesota (496), with	$ 30,830,000
and First National Bank, Spring Valley, Minnesota (7109), with	23,175,000
merged December 28, 1988, under charter and title of the former. The merged bank at date of merger had	53,580,000

* * *

CHARTER NATIONAL BANK-HOUSTON,
Houston, Texas, and Charter National Bank-Southwest, Houston, Texas

Names of banks and type of transaction	Total assets
Charter National Bank-Houston, Houston, Texas (15078), with	$ 324,538,000
and Charter National Bank-Southwest, Houston, Texas (18014), with	15,743,000
merged December 30, 1988, under charter and title of the former. The merged bank at date of merger had	340,281,000

* * *

THE OUACHITA NATIONAL BANK IN MONROE, NATIONAL ASSOCIATION,
Monroe, Louisana, and Terrebonne Bank & Trust Company, Houma, Louisiana, and The First National Bank of Shreveport, Shreveport, Louisiana, and The Premier Bank of Lake Charles, National Association, Lake Charles, Louisiana

Names of banks and type of transaction	Total assets
The Ouachita National Bank in Monroe, National Association, Monroe, Louisiana (13655), with	$ 458,882,000
and Terrebonne Bank & Trust Company, Houma, Louisiana, with	496,794,000
and The First National Bank of Shreveport, Shreveport, Louisiana (3595), with	2,468,294,000
and The Premier Bank of Lake Charles, National Association, Lake Charles, Louisiana (14621), with	813,642,000
merged December 30, 1988, under charter 13655 and title "Premier Bank, National Association" in Baton Rouge. The merged bank at date of merger had	4,161,944,000

* * *

UPPER DAUPHIN NATIONAL BANK,
Millersburg, Pennsylvania, and Peoples Safe Deposit Bank, Saint Clair, Pennsylvania, and Peoples Bank, Shamokin, Pennsylvania

Names of banks and type of transaction	Total assets
Upper Dauphin National Bank, Millersburg, Pennsylvania (2252), with	$ 123,551,000
and Peoples Safe Deposit Bank, Saint Clair, Pennsylvania, with	32,758,000
and Peoples Bank, Shamokin, Pennsylvania, with	17,882,000
merged December 30, 1988, under charter 2252 and title Community Banks, National Association. The merged bank at date of merger had	172,573,000

* * *

HORIZON BANK, NATIONAL ASSOCIATION,
Morristown, New Jersey, and Marine National Bank, Wildwood, New Jersey, and Princeton Bank, Princeton, New Jersey

Names of banks and type of transaction	Total assets
Horizon Bank, National Association, Morristown, New Jersey (4274), with	$1,817,797,000
and Marine National Bank, Wildwood, New Jersey (6278), with	722,517,000
and Princeton Bank, Princeton, New Jersey, with	1,464,995,000
merged December 31, 1988, under charter and title of Horizon Bank, National Association. The merged bank at date of merger had	4,003,315,000

* * *

THE SECURITY NATIONAL BANK OF COWETA,
Coweta, Oklahoma, and Bank of Commerce, Jenks, Oklahoma, Jenks, Oklahoma

Names of banks and type of transaction	Total assets
The Security National Bank of Coweta, Coweta, Oklahoma (12111), with	$ 12,230,000
and Bank of Commerce, Jenks, Oklahoma, Jenks, Oklahoma, with	10,624,000
merged December 31, 1988, under charter and title of the former. The merged bank at date of merger had	22,854,000

* * *

Tables

NOTE: The structural tables were produced by the Bank Organization and Structure Department and the statistical tables were produced by the Applications Development Division.

Comptrollers of the Currency, 1863 to present

No.	Name	Date of appointment	Date of resignation	State
1	McCulloch, Hugh	May 9, 1863	Mar. 8, 1865	Indiana
2	Clarke, Freeman	Mar 21, 1865	July 24, 1866	New York
3	Hulburd, Hiland R.	Feb. 1, 1867	Apr 3, 1872	Ohio.
4	Knox, John Jay	Apr. 25, 1872	Apr 30, 1884	Minnesota
5	Cannon, Henry W.	May 12, 1884	Mar. 1, 1886	Minnesota
6	Trenholm, William L.	Apr. 20, 1886	Apr 30, 1889	South Carolina
7	Lacey, Edward S.	May 1, 1889	June 30, 1892	Michigan.
8	Hepburn, A. Barton	Aug 2, 1892	Apr. 25, 1893	New York
9	Eckels, James H.	Apr. 26, 1893	Dec. 31, 1897	Illinois.
10	Dawes, Charles G.	Jan. 1, 1898	Sept. 30, 1901	Illinois.
11	Ridgely, William Barret	Oct. 1, 1901	Mar. 28, 1908	Illinois.
12	Murray, Lawrence O.	Apr. 27, 1908	Apr. 27, 1913	New York
13	Williams, John Skelton	Feb. 2, 1914	Mar. 2, 1921	Virginia.
14	Crissinger, D. R.	Mar. 17, 1921	Apr. 30, 1923	Ohio.
15	Dawes, Henry M.	May 1, 1923	Dec. 17, 1924	Illinois.
16	McIntosh, Joseph W.	Dec. 20, 1924	Nov. 20, 1928	Illinois.
17	Pole, John W.	Nov. 21, 1928	Sept. 20, 1932	Ohio.
18	O'Connor, J. F. T.	May 11, 1933	Apr. 16, 1938	California
19	Delano, Preston	Oct. 24, 1938	Feb. 15, 1953	Massachusetts.
20	Gidney, Ray M.	Apr. 16, 1953	Nov. 15, 1961	Ohio.
21	Saxon, James J.	Nov. 16, 1961	Nov. 15, 1966	Illinois.
22	Camp, William B.	Nov. 16, 1966	Mar. 23, 1973	Texas.
23	Smith, James E.	July 5, 1973	July 31, 1976	South Dakota
24	Heimann, John G.	July 21, 1977	May 15, 1981	New York.
25	Conover, C. T.	Dec. 16, 1981	May 4, 1985	California
26	Clarke, Robert L.	Dec. 2, 1985	. . .	Texas.

Senior Deputy and Deputy Comptrollers of the Currency, 1863 to 1988

No.	Name	Dates of tenure		State
1	Howard, Samuel T	May 9, 1863	Aug 1, 1865	New York
2	Hulburd, Hiland R	Aug 1, 1865	Jan 31, 1867	Ohio
3	Knox, John Jay	Mar 12, 1867	Apr 24, 1872	Minnesota
4	Langworthy, John S	Aug 8, 1872	Jan. 3, 1886	New York
5	Snyder, V P	Jan 5, 1886	Jan. 3, 1887	New York
6	Abrahams, J D	Jan. 27, 1887	May 25, 1890	Virginia
7	Nixon, R M	Aug 11, 1890	Mar 16, 1893	Indiana
8	Tucker, Oliver P	Apr. 7, 1893	Mar 11, 1896	Kentucky
9	Coffin, George M	Mar. 12, 1896	Aug 31, 1898	South Carolina
10	Murray, Lawrence O.	Sept. 1, 1898	June 29, 1899	New York.
11	Kane, Thomas P	June 29, 1899	Mar. 2, 1923	District of Columbia.
12	Fowler, Willis J.	July 1, 1908	Feb. 14, 1927	Indiana
13	McIntosh, Joseph W	May 21, 1923	Dec. 19, 1924	Illinois.
14	Collins, Charles W	July 1, 1923	June 30, 1927	Illinois.
15	Stearns, E W	Jan. 6, 1925	Nov. 30, 1928	Virginia.
16	Awalt, F G	July 1, 1927	Feb. 15, 1936	Maryland.
17	Gough, E H	July 6, 1927	Oct 16, 1941	Indiana
18	Proctor, John L	Dec. 1, 1928	Jan. 23, 1933	Washington.
19	Lyons, Gibbs	Jan. 24, 1933	Jan. 15, 1938	Georgia.
20	Prentiss, Jr., William	Feb. 24, 1936	Jan. 15, 1938	Georgia.
21	Diggs, Marshall R	Jan. 16, 1938	Sept. 30, 1938	Texas.
22	Oppegard, G. J.	Jan. 16, 1938	Sept. 30, 1938	California
23	Upham, C. B.	Oct. 1, 1938	Dec. 31, 1948	Iowa.
24	Mulroney, A. J.	May 1, 1939	Aug. 31, 1941	Iowa
25	McCandless, R. B.	July 7, 1941	Mar. 1, 1951	Iowa.
26	Sedlacek, L. H.	Sept. 1, 1941	Sept. 30, 1944	Nebraska.
27	Robertson, J. L.	Oct. 1, 1944	Feb. 17, 1952	Nebraska.
28	Hudspeth, J. W	Jan. 1, 1949	Aug 31, 1950	Texas.
29	Jennings, L. A	Sept. 1, 1950	May 16, 1960	New York
30	Taylor, W. M.	Mar 1, 1951	Apr. 1, 1962	Virginia.
31	Garwood, G. W.	Feb. 18, 1952	Dec. 31, 1962	Colorado.
32	Fleming, Chapman C	Sept. 15, 1959	Aug. 31, 1962	Ohio.
33	Haggard, Holis S	May 16, 1960	Aug. 3, 1962	Missouri.
34	Camp, William B.	Apr. 2, 1962	Nov. 15, 1966	Texas
35	Redman, Clarence B.	Aug 4, 1962	Oct. 26, 1963	Connecticut.
36	Watson, Justin T	Sept 3, 1962	July 18, 1975	Ohio.
37	Miller, Dean E.	Dec. 23, 1962	.... . .	Iowa
38	DeShazo, Thomas G	Jan 1, 1963	Mar 3, 1978	Virginia
39	Egertson, R. Coleman	July 13, 1964	June 30, 1966	Iowa
40	Blanchard, Richard J	Sept. 1, 1964	Sept. 26, 1975	Massachusetts.
41	Park, Radcliffe	Sept 1, 1964	June 1, 1967	Wisconsin.
42	Faulstich, Albert J	July 19, 1965	Oct. 26, 1974	Louisiana.
43	Motter, David C.	July 1, 1966	Sept. 20, 1981	Ohio.
44	Gwin, John D.	Feb. 21, 1967	Dec. 31, 1974	Mississippi.
45	Howland, Jr., W A	July 5, 1973	Mar 27, 1978	Georgia
46	Mullin, Robert A	July 5, 1973	Sept. 8, 1978	Kansas.
47	Ream, Joseph M	Feb. 2, 1975	June 30, 1978	Pennsylvania
48	Bloom, Robert	Aug 31, 1975	Feb. 28, 1978	New York.
49	Chotard, Richard D	Aug. 31, 1975	Nov. 25, 1977	Missouri
50	Hall, Charles B.	Aug 31, 1975	Sept 14, 1979	Pennsylvania
51	Jones, David H	Aug. 31, 1975	Sept 20, 1976	Texas.
52	Murphy, C Westbrook	Aug. 31, 1975	Dec. 30, 1977	Maryland
53	Selby, H Joe	Aug 31, 1975	Mar. 15, 1986	Texas.
54	Homan, Paul W	Mar 27, 1978	Jan. 21, 1983	Nebraska
55	Keefe, James T	Mar. 27, 1978	Sept. 18, 1981	Massachusetts.
56	Muckenfuss, Cantwell F., III	Mar 27, 1978	Oct. 1, 1981	Alabama
57	Wood, Billy C.	Nov. 7, 1978	Jan. 16, 1988	Texas.
58	Longbrake, William A	Nov 8, 1978	July 9, 1982	Wisconsin
59	Odom, Jr., Lewis G	Mar. 21, 1979	Nov. 16, 1980	Alabama
60	Martin, William E	May 22, 1979	Apr. 4, 1983	Texas
61	Barefoot, Jo Ann	July 13, 1979	Sept 5, 1982	Connecticut
62	Lord, Charles E	Apr 13, 1981	Mar 31, 1982	Connecticut
63	Bench, Robert R	Mar 21, 1982	Sept. 25, 1987	Massachusetts
64	Klinzing, Robert R	Mar 21, 1982	Aug 21, 1983	Connecticut
65	Robertson, William L	Mar 21, 1982	Sept 26, 1986	Texas
66	Arnold, Doyle L	May 2, 1982	May 12, 1984	California
67	Weiss, Steven J	May 2, 1982		Pennsylvania
68	Stephens, Martha B	June 1, 1982	Jan 19, 1985	Georgia
69	Stewart, Craig M	Sept 19, 1982	May 1, 1986	Idaho

No.	Name	Dates of tenure		State
70	Herrmann, Robert J.	Jan. 1, 1983		Illinois
71	Mancusi, Michael A.	Jan. 1, 1983	Feb. 17, 1986	Maryland
72	Marriott, Dean S.	Jan. 1, 1983		Missouri
73	Poole, Clifton A., Jr.	Jan. 1, 1983		North Carolina
74	Taylor, Thomas W.	Jan. 1, 1983		Ohio
75	Boland, Jr., James E.	Feb. 7, 1983	Feb. 15, 1985	Pennsylvania
76	Fisher, Jerry	Apr. 17, 1983		Delaware
77	Patriarca, Michael	July 10, 1983	Aug. 15, 1986	California
78	Wilson, Karen J.	July 17, 1983		New Jersey
79	Winstead, Bobby B.	Mar. 18, 1984		Texas
80	Chew, David L.	May 2, 1984	Feb. 2, 1985	District of Columbia
81	Walter, Judith A.	Apr. 24, 1985		Indiana
82	Maguire, Francis E., Jr.	Jan. 9, 1986		Virginia
83	Kraft, Peter C.	July 20, 1986		California
84	Klinzing, Robert R.	Aug. 11, 1986		Connecticut
85	Hechinger, Deborah S.	Aug. 31, 1986	Sept. 14, 1987	District of Columbia
86	Norton, Gary W.	Sept. 3, 1986		Missouri
87	Shepherd, J. Michael	Jan. 9, 1987		California
88	Rushton, Emory W.	Jan. 21, 1987		South Carolina
89	Fiechter, Jonathan L.	Mar. 4, 1987	Oct. 30, 1987	Pennsylvania
90	Stolte, William J.	Mar. 11, 1987		New Jersey
91	Clock, Edwin H.	Feb. 29, 1988		California
92	Krause, Susan F.	Mar. 30, 1988		California
93	Coonley, Donald G.	June 29, 1988		Virginia
94	Blakely, Kevin M.	Oct. 12, 1988		Illinois

Changes in the structure of the national banking system, by states, July 1 to December 31, 1988

	In operation June 30 1988	Organized and opened for business	Merged	Voluntary liquidations	Payouts	12 USC 214		In operation Dec. 31, 1988
						Converted to state banks	Merged with state banks	
Alabama	56	0	1	0	0	0	0	55
Alaska	3	0	0	0	0	0	0	3
Arizona	15	0	0	0	0	0	0	15
Arkansas	85	0	0	0	0	0	0	85
California	172	3	2	0	0	3	2	168
Colorado	230	13	1	0	0	0	0	242
Connecticut	18	0	0	0	0	0	0	18
Delaware	18	1	0	0	0	1	0	18
District of Columbia	22	2	0	0	0	0	0	24
Florida	159	9	1	0	0	0	0	167
Georgia	57	2	0	0	0	0	0	59
Hawaii	3	0	0	0	0	0	0	3
Idaho	7	0	0	0	0	0	0	7
Illinois	381	3	4	0	0	4	0	376
Indiana	100	1	1	0	0	0	0	100
Iowa	102	1	0	0	0	0	0	103
Kansas	166	2	0	0	0	0	0	168
Kentucky	79	3	0	0	0	0	0	82
Louisiana	60	0	6	0	0	0	0	54
Maine	7	0	0	0	0	0	0	7
Maryland	25	1	0	0	0	0	0	26
Massachusetts	41	0	0	0	0	0	1	40
Michigan	83	0	0	0	0	0	0	83
Minnesota	171	1	9	0	0	0	1	162
Mississippi	29	0	0	0	0	0	1	28
Missouri	99	1	4	0	0	1	0	95
Montana	57	0	0	0	0	0	0	57
Nebraska	113	1	1	0	0	0	0	113
Nevada	7	0	0	0	0	0	0	7
New Hampshire	20	0	0	0	0	1	2	17
New Jersey	65	0	4	0	0	0	0	61
New Mexico	41	0	0	0	0	0	0	41
New York	107	1	0	0	0	0	0	108
North Carolina	15	0	0	0	0	0	0	15
North Dakota	29	0	0	0	0	0	0	29
Ohio	137	1	2	0	0	0	0	136
Oklahoma	196	0	0	0	0	0	2	194
Oregon	8	1	0	0	0	0	0	9
Pennsylvania	170	2	3	0	0	0	0	169
Rhode Island	5	0	0	0	0	0	0	5
South Carolina	22	4	0	0	0	0	0	26
South Dakota	24	0	0	0	0	0	0	24
Tennessee	56	1	2	0	0	0	3	52
Texas	906	6	71	0	1	1	23	816
Utah	7	0	0	0	0	0	0	7
Vermont	12	0	0	0	0	0	0	12
Virginia	53	0	0	0	0	0	0	53
Washington	22	2	0	0	0	0	0	24
West Virginia	93	0	0	0	0	0	2	91
Wisconsin	119	0	0	0	0	0	2	117
Wyoming	37	0	3	0	0	0	0	34
Puerto Rico	1	0	0	0	0	0	0	1
United States	4,510	62	115	0	1	11	39	4,406

NOTES Organized and opened for business includes all state banks converted to national banks as well as all newly formed national banks.
The title "merged" is a generic term and includes all mergers, consolidations and purchase and assumptions where the resulting institution is a nationally chartered bank. Also included in this column are immediate FDIC assisted "merger" transactions where the resulting institution is a nationally chartered bank.
Voluntary liquidations include only straight liquidations of national banks. No liquidations pursuant to a purchase and assumption transaction are included in this total. Liquidations resulting from purchase and assumptions are included in the "merged" columns.
Payouts include all failed national banks where FDIC is named receiver and no other depository institution is named as successor.
The title "merged" is a generic term and includes all mergers, consolidations and purchase and assumptions where the resulting institution is a state chartered bank. Also included in this column are immediate FDIC assisted "merger" transactions where the resulting institution is a state chartered bank.

Federal branches and agencies of foreign banks, by state

	Federal branches and agencies—open July 1, 1988	*Applications, July 1 to December 31, 1988*				*Federal branches and agencies opened July 1 to December 31, 1988*	*Federal branches and agencies closed July 1 to December 31, 1988*	*Federal branches and agencies—open December 31, 1988*
		Received	*Approved*	*Disapproved*	*Withdrawn*			
Total *de novo*	71	1	0	0	0	0	2	71
Federal branch								
California	3	0	0	0	0	0	0	3
District of Columbia	1	0	0	0	0	0	0	1
Illinois	1	0	0	0	0	0	0	1
New York	45	0	0	0	0	0	2	43
Limited federal branch								
Arizona	0	1	0	0	0	0	0	0
California	7	0	0	0	0	0	0	7
District of Columbia	2	0	0	0	0	0	0	2
Illinois	4	0	0	0	0	0	0	4
New York	6	0	0	0	0	0	0	6
Washington	1	0	0	0	0	0	0	1
Federal agency								
Florida	1	0	0	0	0	0	0	1
Louisiana	0	0	0	0	0	0	0	0
Total conversions	13	0	0	0	0	0	0	13
State agency to federal branch								
California	2	0	0	0	0	0	0	2
New York	9	0	0	0	0	0	0	9
State agency to limited federal branch								
California	1	0	0	0	0	0	0	1
New York	1	0	0	0	0	0	0	1

Applications for national bank charters, July 1 to December 31, 1988

	Received	Approved	Denied	Charters issued	State-chartered banks converted to national banks	Trust companies*	Nonbank banks*
Alabama	0	0	0	1	1	0	0
Alaska	0	0	0	0	0	0	0
Arizona	0	0	0	0	0	0	0
Arkansas	1	1	1	0	0	1	0
California	5	4	1	2	1	0	0
Colorado	1	0	0	2	11	0	0
Connecticut	1	0	0	0	0	0	0
Delaware	1	0	0	1	0	0	0
District of Columbia	0	2	0	2	0	0	0
Florida	5	5	0	9	0	2	0
Georgia	3	4	0	2	0	0	0
Hawaii	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0
Illinois	1	0	0	0	3	0	1
Indiana	0	0	0	0	1	0	0
Iowa	0	0	0	1	0	0	0
Kansas	0	0	0	1	1	0	0
Kentucky	1	1	0	0	3	0	0
Louisiana	0	0	0	0	0	0	0
Maine	0	0	0	0	0	0	0
Maryland	1	2	0	1	0	0	0
Massachusetts	2	0	0	0	0	1	0
Michigan	0	0	0	0	0	0	0
Minnesota	2	0	0	0	1	0	0
Mississippi	0	0	0	0	0	0	0
Missouri	1	1	0	1	0	0	0
Montana	0	0	0	0	0	0	0
Nebraska	1	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0
New Hampshire	1	1	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0
New York	0	1	1	1	0	0	0
North Carolina	2	2	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0
Ohio	1	2	0	1	0	0	0
Oklahoma	0	0	0	0	0	0	0
Oregon	0	1	0	1	0	0	0
Pennsylvania	2	4	1	2	0	0	0
Rhode Island	0	0	0	0	0	0	0
South Carolina	1	1	0	4	0	0	0
South Dakota	0	0	0	0	0	0	0
Tennessee	0	0	0	1	0	0	0
Texas	0	0	0	3	3	0	0
Utah	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0
Virginia	0	1	0	0	0	0	0
Washington	1	1	0	2	0	0	0
West Virginia	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0
Total	33	34	4	38	24	4	1

*These figures are included in the figures for received, approved, denied and charters issued

Applications for new national bank charters, approved and rejected, by states, July 1 to December 31, 1988

	Approved	Rejected
ARKANSAS		
Faulkner County National Bank, Conway		Aug 19
First Exchange Bank of Little Rock, National Association, Little Rock	Oct 21	
CALIFORNIA		
Sierra Community Bank, National Association, Colfax		Aug 30
Goleta National Bank, Goleta	Aug 4	
The Bank of Milpitas, National Association, Milpitas	Nov. 23	
Pasadena National Trust Company, Pasadena	Nov. 8	
Inland Community Bank, National Association, Rialto	Nov. 30	
DISTRICT OF COLUMBIA		
Theodore Roosevelt National Bank, Washington	Dec 30	
Security Trust Company, National Association, Washington	Oct. 7	
FLORIDA		
First National Bank of Naples, Naples	Oct. 28	
Sunbank Capital Management, National Association, Orlando	Nov. 22	
Port St. Lucie National Bank, Port St. Lucie	Sept. 16	
Enterprise Bank of Sarasota, National Association, Sarasota	Dec. 5	
Community National Bank of Pasco County, Zephyrhills	Oct. 14	
GEORGIA		
Gwinnett National Bank, Duluth	Nov. 28	
First National Bank of Baldwin County, Milledgeville	Dec. 9	
First National Bank of Effingham, Springfield	Sept. 6	
First National Bank of Cherokee, Woodstock	Oct. 17	
KENTUCKY		
Citizens National Bank of Grayson, Grayson	Oct. 13	
MARYLAND		
Seneca National Bank, Germantown	Nov. 18	
The Old Line National Bank, Waldorf	Sept. 15	
MISSOURI		
Citizens National Bank of Springfield, Springfield	Nov. 10	
NEW HAMPSHIRE		
Community National Bank, Bedford	Nov. 22	
NEW YORK		
Marathon National Bank of New York, Astoria	Sept. 7	
Advance National Bank, White Plains		Nov. 22
NORTH CAROLINA		
Enterprise Bank, National Association, Raleigh	Nov. 23	
Marketcenter Bank, National Association, Raleigh	Oct. 25	
OHIO		
First Consumers National Bank, Cincinnati	Sept. 15	
Star Bank, National Association, Cleveland, Independence	July 22	
OREGON		
First Consumers National Bank, Portland	Oct. 17	
PENNSYLVANIA		
Security National Bank, Danville		Aug 29
Regent National Bank, Philadelphia	Aug 10	
Metrobank of Philadelphia, National Association, Philadelphia	Aug 5	
Grant Street National Bank (in liquidation), Pittsburgh	Oct 19	
First Bank, National Association, Uniontown	Nov 16	
SOUTH CAROLINA		
Southtrust Bank of Charleston, National Association, Charleston	Nov 30	
VIRGINIA		
The George Washington National Bank, Alexandria	Nov 21	
WASHINGTON		
Enterprise Bank of Bellevue, National Association, Bellevue	Dec 27	

New national bank charters issued, July 1 to December 31, 1988

Title and location of bank	Charter number	Date open
CALIFORNIA		
Central Coast National Bank, Arroyo Grande	21694	October 3
Bank of Lake County, National Association, Lakeport	18747	August 10
COLORADO		
Firstbank of Green Mountain, National Association, Lakewood	21678	September 10
Firstbank at Arapahoe/Holly, National Association, Littleton	21676	September 10
DELAWARE		
Delaware Bridge Bank, National Association, Newark	21858	August 2
DISTRICT OF COLUMBIA		
City National Bank of Washington, Washington	21536	July 18
Security Trust Company, National Association, Washington	21744	December 30
FLORIDA		
Security National Bank of Seminole County, Altamonte Springs	21708	December 9
Citrus National Bank, Crystal River	21461	October 20
Citibank (Florida), National Association, Dania	21940	December 9
First Mercantile National Bank, Seminole County, Longwood	21591	November 3
First Florida Bank of Orange County, National Association, Orlando	21651	September 16
Island National Bank of Palm Beach, Palm Beach	21618	December 1
Citizens National Bank and Trust Company, Port Richey	21652	December 29
Enterprise National Bank of Tampa, Tampa	21734	July 11
Jupiter-Tequesta National Bank, Tequesta	21685	December 15
GEORGIA		
Security National Bank, Macon	21715	November 4
Mountain National Bank, Tucker	21549	August 2
IOWA		
Dial National Bank, Des Moines	21099	December 1
KANSAS		
Banker's Bank of Kansas, National Association, Wichita	21494	October 5
MARYLAND		
State Street Bank and Trust Company of Maryland, National Association, Baltimore	21554	July 1
MISSOURI		
U.S. National Bank of Clayton, Clayton	21552	August 1
NEBRASKA		
Norwest Bank Nebraska Lincoln, National Association, Lincoln	21726	October 31
NEW YORK		
Saratoga National Bank and Trust Company, Saratoga Springs	21530	July 1
OHIO		
Star Bank, National Association, Cleveland, Independence	21780	October 17
OREGON		
First Consumers National Bank, Portland	21688	December 12
PENNSYLVANIA		
Grant Street National Bank (in liquidation), Pittsburgh	18766	October 20
Security National Bank, Pottstown	21644	September 27
SOUTH CAROLINA		
Aiken County National Bank, Aiken	21561	August 5
Commercial Bank of the South, National Association, Columbia	21542	July 12
Midlands National Bank, Prosperity	21701	December 7
Spartanburg National Bank, Spartanburg	21664	September 1
TENNESSEE		
First National Bank of Knoxville, Knoxville	21668	September 27

New national bank charters issued, July 1 to December 31, 1988 — continued

Title and location of bank	*Charter number*	*Date open*
TEXAS		
Union National Bank of Texas, Austin, Texas, Austin	21889	August 25
Peoples National Bank, Bogata	21944	December 15
NCNB Texas National Bank, Dallas	21834	July 29
WASHINGTON		
Redmond National Bank, Redmond	18746	October 25
The Commerce Bank of Washington, National Associaiton, Seattle	18752	July 1

State-chartered banks converted to national banks, July 1 to December 31, 1988

Title and location of bank	Effective date	Total assets
CALIFORNIA		
Security Pacific Asian Bank, National Association (21841), conversion of American Asian Bank, Los Angeles	November 10	$221,000,000
COLORADO		
United Bank of Aurora, National Association (21822), conversion of United Bank of Aurora, Aurora	October 3	82,364,000
United Bank of Aurora-South, National Association (21824), conversion of United Bank of Aurora-South, Aurora	October 3	22,504,000
United Bank of Brighton, National Association (21831), conversion of United Bank of Brighton, Brighton	October 3	54,767,000
United Bank of Broomfield, National Association (21825), conversion of United Bank of Broomfield, Broomfield	October 3	73,451,000
United Bank of Garden of the Gods, National Association (18762), conversion of United Bank of Garden of the Gods, Colorado Springs	October 3	25,744,000
United Bank of Durango, National Association (18761), conversion of United Bank of Durango, Durango	October 3	42,072,000
United Bank of Ignacio, National Association (21826), conversion of United Bank of Ignacio, Ignacio	October 3	23,801,000
United Bank of Littleton, National Association (21829), conversion of United Bank of Littleton, Littleton	October 3	143,044,000
United Bank of Pueblo, National Association (21776), conversion of United Bank of Pueblo, Pueblo	September 1	59,983,000
United Bank of Sterling, National Association (21827), conversion of United Bank of Sterling, Sterling	October 11	109,818,000
United Bank of Westminster, National Association (21828), conversion of United Bank of Westminster, Westminster	October 3	13,901,000
ILLINOIS		
The De Kalb Bank, National Association (21813), conversion of the De Kalb Bank, De Kalb	November 1	96,798,000
First Trust Bank, National Association (21812), conversion of First Trust & Savings Bank of Kankakee, Kankakee	November 1	188,877,000
First Midwest Bank/Central Region, National Association (21799), conversion of First Midwest Bank/Seneca, Seneca	November 21	24,945,000
INDIANA		
First National Bank of Indiana and Mutual Trust Company (21723), conversion of Mutual Trust Bank, New Albany	July 20	126,875,000
KANSAS		
Bank IV Corporate Woods, National Association (21856), conversion of Corporate Woods State Bank, Overland Park	September 15	39,096,000
KENTUCKY		
Bowling Green Bank & Trust Company, National Association (21671), conversion of Bowling Green Bank & Trust Company, Bowling Green	September 1	95,115,000
Liberty National Bank of Shelbyville (21884), conversion of Bank of Shelbyville, Shelbyville	December 1	48,986,000
West Point National Bank (21823), conversion of West Point Bank, West Point	November 28	5,466,000
MINNESOTA		
First National Bank (21793), conversion of Fulda State Bank, Fulda	October 1	40,636,000
TEXAS		
Texas American Bank/Farmers Branch, National Association (21756), conversion of Texas American Bank/Farmers Branch, Dallas	July 1	60,050,000
Texas American Bank/LBJ, National Association (21743), conversion of Texas American Bank LBJ, Dallas	July 1	85,830,000
MBank New Braunfels, National Association (21748), conversion of MBank New Braunfels, New Braunfels	September 30	123,121,000

Mergers, July 1 to December 31, 1988*

	Transactions involving two or more operating banks	*Transactions involving a single operating bank*	*Total*
Received	117	49	166
Approved	105	45	150
Denied	2	1	3
Abandoned	2	4	6
Consummated	114	39	153

*Mergers is a generic term which includes mergers, consolidations and purchases and assumptions.

Mergers consummated involving two or more operating banks, July 1 to December 31, 1988
(Dollar amounts in thousands)

Date consummated	Merging banks Resulting bank	Total assets
	ALABAMA	
	AmSouth Bank National Association, Birmingham (3185)	$ 6,635,412
	The First National Bank of Tuscaloosa, Tuscaloosa (1853)	476,025
September 10	AmSouth Bank National Association, Birmingham (3185)	7,107,595
	Southtrust Bank of Marshall County, National Association, Boaz (21738)	80,104
	Southtrust Bank of Arab, Arab	42,031
September 23	Southtrust Bank of Marshall County, National Association, Boaz (21738)	122,135
	ARIZONA	
	Norwest Capital Management & Trust Co., Scottsdale	1,824
	Ranch National Bank, Scottsdale (18295)	17,852
July 1	Norwest Bank Arizona, National Association, Scottsdale (18295)	19,676
	CALIFORNIA	
	The Bank of California, National Association, San Francisco (21541)	4,725,738
	The Mitsubishi Bank of California, Los Angeles	1,546,569
July 29	The Bank of California, National Association, San Francisco (21541)	6,272,307
	Nevada County National Bank, Grass Valley (16839)	17,428
	Auburn Bank of Commerce, National Association, Auburn (17641)	24,820
July 29	The Bank of Commerce, National Association, Auburn (17641)	42,293
	Security Pacific National Bank, Los Angeles (2491)	47,000,000
	The Hibernia Bank, San Francisco	1,600,000
August 21	Security Pacific National Bank, Los Angeles (2491)	48,600,000
	Security Pacific Asian Bank, N.A. (formerly American Asian Bank), Los Angeles (21841)	220,522
	Security Pacific Asian Banking Corporation, N.A., Los Angeles (16891)	113,355
November 10	Security Pacific Asian Bank, National Association, Los Angeles (21841)	342,753
	COLORADO	
	Citizens Bank Littleton, Littleton	6,365
	Equitable Bank of Littleton, National Association, Littleton (18205)	7,650
September 15	Equitable Bank of Littleton, National Association, Denver (18205)	NA
	Peoples State Bank of Meeker, Meeker	3,894
	The First National Bank of Meeker, Meeker (7435)	19,825
September 23	The First National Bank of Meeker, Meeker (7435)	NA
	Enterprise National Bank, Englewood (18239)	5,806
	Colonial National Bank, Denver (17459)	10,989
December 1	Colonial National Bank, Denver (17459)	NA
	The First National Bank of Ordway, Ordway (8695)	11,064
	First Industrial Bank of Rocky Ford, Rocky Ford	12,489
December 16	The First National Bank of Ordway, Ordway (8695)	NA
	DELAWARE	
	Delaware Bridge Bank, National Association, Newark (21858)	NA
	First Republicbank Delaware, Newark	582,350
August 2	Delaware Bridge Bank, National Association, Newark (21858)	NA
	FLORIDA	
	NCNB National Bank of Florida, Tampa (17775)	9,660,417
	USBank, St. Petersburg	48,662
September 22	NCNB National Bank of Florida, Tampa (17775)	9,709,079
	Continental Illinois Trust Co. of Florida, National Association, Boca Raton (17162)	2,248
	Continental Illinois Trust Co. of Florida, National Association, Sarasota (17275)	2,267
September 1	Continental Illinois Trust Company of Florida, National Association, Boca Raton (17162)	4,505
	NBD Trust Company of Florida, National Association, North Palm Beach (17391)	733,829
	Trust Company of Naples, Naples	1,979,347
October 11	NBD Trust Company of Florida, National Association, North Palm Beach (17391)	923,210
	Caribank, Dania	510,000
	Citibank (Florida), National Association, Dania (21940)	50,000
December 9	Citibank (Florida), National Association, Dania (21940)	560,000
	ILLINOIS	
	First of America Bank-Libertyville, National Association, Libertyville (15594)	120,068
	The Premier Bank of Vernon Hills, Vernon Hills	23,504
July 11	First of America Bank-Libertyville, National Association, Libertyville (15594)	143,460
	The First National Bank of Collinsville, Collinsville (6125)	133,366
	UMB Bank of Illinois, National Association, Maryville (21727)	17,571
August 31	UMB Bank of Illinois, National Association, Collinsville (21727)	150,216

(Dollar amounts in thousands)

Date consummated	Merging banks Resulting bank	Total assets
	First Midwest Bank, National Association, Waukegan (14364)	242,376
	First Midwest Bank/Lake Forest, A National Association, Lake Forest (15520)	62,281
	First Midwest Bank/North Chicago, A National Association, North Chicago (14507)	54,357
September 12	First Midwest Bank, National Association, Waukegan (14364)	358,963
	Boone State Bank, Belvidere	29,520
	First of America Bank-Rockford, National Association, Rockford (14511)	198,438
November 1	First of America Bank-Rockford, National Association, Rockford (14511)	226,672
	Naper Bank Bolingbrook, Bolingbrook	36,961
	Naper Bank National Association, Naperville (14115)	234,537
November 21	Naper Bank, National Association, Naperville (14115)	275,698
	First Galesburg National Bank and Trust Company, Galesburg (241)	155,064
	First National Bank in Galva, Galva (14159)	28,366
November 30	First Galesburg National Bank and Trust Company, Galesburg (241)	181,530
	United Bank of Illinois, National Association, Rockford (14533)	276,290
	United Bank of Belvidere, Belvidere	51,637
November 30	United Bank of Illinois, National Association, Rockford (14533)	326,767
	INDIANA	
	First of America Bank-Laporte, National Association, Laporte (377)	142,234
	Lakeshore Bank and Trust Company, Michigan City	33,146
September 30	First of America Bank-Laporte, National Association, Laporte (377)	175,380
	Star Bank, National Association, Aurora (699)	57,730
	Star Bank, National Association, Southeastern Indiana, Lawrenceburg (2612)	68,216
November 30	Star Bank, National Association, Southeastern Indiana, Lawrenceburg (2612)	125,946
	IOWA	
	Norwest Bank Marion, National Association, Marion (117)	83,669
	Peoples Bank and Trust Company, Cedar Rapids	262,491
October 1	Norwest Bank Cedar Rapids, National Association, Cedar Rapids (117)	329,554
	KANSAS	
	Bank IV Wichita, National Association, Wichita (12490)	1,438,756
	Bank of Mid-America, Wichita	43,562
October 28	Bank IV Wichita, National Association, Wichita (12490)	1,481,697
	Bank IV Topeka, National Association, Topeka (3078)	414,289
	Fairlawn Plazabank, Topeka	20,122
December 16	Bank IV Topeka, National Association, Topeka (3078)	433,018
	LOUISIANA	
	Hibernia National Bank, New Orleans (13688)	5,199,697
	National Fidelity Bank, Shreveport (18450)	10,506
July 28	Hibernia National Bank, New Orleans (13688)	NA
	Louisiana National Bank of Baton Rouge, Baton Rouge (9834)	1,313,814
	The First National Bank of Shreveport, Shreveport (3595)	1,154,900
September 30	Premier Bank, National Association, Baton Rouge (3595)	2,468,294
	The State National Bank of New Iberia, New Iberia (6858)	86,171
	Guaranty Bank and Trust Company, Lafayette	572,237
	The Premier Bank of Lake Charles, National Association, Lake Charles (14621)	150,079
September 30	Premier Bank - Acadiana, National Association, Lafayette (14621)	813,642
	Hibernia National Bank, New Orleans (13688)	5,363,874
	First National Bank, Covington (14989)	333,572
November 18	Hibernia National Bank, New Orleans (13688)	NA
	The Premier Bank of Lake Charles, National Association, Lake Charles (14621)	813,642
	Terrebonne Bank & Trust Company, Houma	496,794
	The Ouachita National Bank in Monroe, Monroe (13655)	458,882
	The First National Bank of Shreveport, Shreveport (3595)	2,468,294
December 30	Premier Bank, National Association, Baton Rouge (13655)	4,161,944
	MINNESOTA	
	Valley National Bank of North Mankato, North Mankato (15131)	56,725
	Otisco State Bank, Otisco	16,670
July 15	Valley National Bank of North Mankato, North Mankato (15131)	73,276
	Norwest Bank Litchfield, National Association, Litchfield (13486)	45,713
	Norwest Bank Sauk Rapids, National Association, Sauk Rapids (20617)	56,160
	Norwest Bank St. Cloud, National Association, St. Cloud (20618)	89,178
August 1	Norwest Bank Minnesota Central, National Association, St. Cloud (20618)	189,054

Mergers consummated involving two or more operating banks, July 1 to December 31, 1988 — continued
(Dollar amounts in thousands)

Date consummated	*Merging banks* / *Resulting bank*	Total assets
	Norwest Bank Dodge Center, Dodge Center	26,519
	Norwest Bank Rochester, National Association, Rochester (2088)	223,301
	Norwest Bank Winona, National Association, Winona (3224)	109,496
August 1	Norwest Bank Minnesota Southeast, National Association, Rochester (2088)	357,608
	Norwest Bank Albert Lea, National Association, Albert Lea (3560)	53,026
	Norwest Bank Mankato, National Association, Mankato (4727)	145,216
	Norwest Bank Austin, National Association, Austin (21456)	58,904
August 1	Norwest Bank Minnesota South Central, National Association, Mankato (4727)	254,538
	Norwest Bank Two Harbors, National Association, Two Harbors (12357)	40,075
	Norwest Bank Grand Rapids, National Association, Grand Rapids (6563)	91,078
	Norwest Bank Duluth, National Association, Duluth (3626)	250,731
August 1	Norwest Bank Minnesota North, National Association, Duluth (3626)	374,486
	First Bank Bloomington, Bloomington	212,000
	First Bank National Association, Minneapolis (710)	17,866,000
August 19	First Bank National Association, Minneapolis (710)	18,078,000
	Biwabik State Bank, Biwabik	3,238
	The First National Bank, Keewatin (10903)	7,084
August 26	The First National Bank, Keewatin (10903)	NA
	The First National Bank of Hutchinson, Hutchinson (14216)	43,746
	Dassel State Bank, Dassel	18,404
October 1	The First National Bank of Hutchinson, Hutchinson (14216)	62,096
	Norwest Bank Owatonna, National Association, Owatonna (16196)	124,011
	Norwest Bank Faribault, National Association, Faribault (11668)	126,781
December 1	Norwest Bank Minnesota South, National Association, Fairbault (11668)	249,742
	The First National Bank of Hastings, Hastings (496)	30,830
	First National Bank, Spring Valley (7109)	23,175
December 28	The First National Bank of Hastings, Hastings (496)	53,580
	MISSOURI	
	Commerce Bank of Columbia, National Association, Columbia (14984)	93,422
	Commerce Bank of Mexico, National Association, Mexico (16949)	91,371
	Commerce Bank of Moberly, National Association, Moberly (16948)	68,548
September 1	Commerce Bank, National Association, Columbia (16949)	253,819
	The American National Bank of St. Joseph, St. Joseph (6272)	236,431
	Belt American Bank of St. Joseph, St. Joseph	81,125
October 3	The American National Bank of St. Joseph, St. Joseph (6272)	315,891
	Boatmen's Bank of Excelsior Springs, Excelsior Springs	38,896
	Boatmen's Raytown Bank, Raytown	153,650
	Boatmen's Bank of Belton, Belton	58,300
	Boatmen's Bank of Lee's Summit, Lee's Summit	75,459
	Boatmen's Bank of Independence, Independence	63,300
	Boatmen's First National Bank of Kansas City, Kansas City (3456)	1,932,613
	Boatmen's North Hills Bank, Kansas City	99,388
November 14	Boatmen's First National Bank of Kansas City, Kansas City (3456)	2,409,294
	Commerce Bank of Harrisonville, National Association, Harrisonville (6343)	49,056
	Commerce Bank of Lexington, National Association, Lexington (20916)	35,539
	Commerce Bank of Kansas City, National Association, Kansas City (15985)	1,360,371
December 1	Commerce Bank of Kansas City, National Association, Kansas City (15985)	1,437,564
	The First National Mercantile Bank of Monett, Monett (5973)	58,739
	McDonald County Mercantile Bank, Pineville	24,513
December 9	First National Mercantile Bank, Monett (5973)	83,252
	NEBRASKA	
	First National Bank & Trust Company of Fremont, Fremont (13408)	59,635
	Firstier Bank, National Association, Omaha (1633)	1,067,541
September 1	Firstier Bank, National Association, Omaha (1633)	1,090,418
	NEW JERSEY	
	United Jersey Bank/Franklin State, Franklin Township	867,713
	United Jersey Bank, National Association, Princeton (4872)	770,837
July 29	United Jersey Bank/Central, National Association, Princeton (4872)	1,638,550
	United National Bank, Plainfield (13174)	514,210
	The First National Bank of Blairstown, Blairstown (5621)	44,068
August 1	United National Bank, Blairstown (5621)	558,278
	The First Jersey National Bank/South, Atlantic City (16397)	1,222,145
	The First Jersey National Bank, Jersey City (374)	3,433,702
October 8	The First Jersey National Bank, Jersey City (374)	4,632,847

Mergers consummated involving two or more operating banks, July 1 to December 31, 1988 — continued
(Dollar amounts in thousands)

Date consummated	*Merging banks* *Resulting bank*	*Total assets*
	The First Jersey National Bank/Central, Trenton (3709)	555,267
	The First Jersey National Bank, Jersey City (374)	2,949,303
October 22	The First Jersey National Bank, Jersey City (374)	3,433,702
	Horizon Bank, National Association, Morristown (4274)	1,817,797
	Marine National Bank, Wildwood (6278)	722,517
	Princeton Bank, Princeton	1,464,995
December 31	Horizon Bank, National Association, Morristown (4274)	4,003,315
	NEW YORK	
	Key Bank of Long Island, Sayville	200,040
	Key Bank of Southeastern New York, National Association, Newburgh (1349)	687,389
October 1	Key Bank of Southeastern New York, National Association, Newburgh (1349)	922,787
	OHIO	
	Miami Bank, National Association, Dayton, Fairborn (9675)	173,138
	The First National Bank, Miamisburg (3876)	142,053
July 1	Star Bank, National Association, Dayton, Fairborn (9675)	315,191
	Commercial National Bank, Tiffin (7795)	194,602
	The Fifth Third Bank of Northwestern Ohio, National Association, Findlay (36)	240,893
August 1	The Fifth Third Bank of Northwestern Ohio, National Association, Findlay (36)	435,495
	The Commercial and Savings Bank of Gallipolis, Gallipolis	66,094
	Star Bank, National Association, Tri-State, Ironton (16607)	165,624
October 1	Star Bank, National Association, Tri-State, Ironton (16607)	231,718
	OKLAHOMA	
	Union Bank and Trust, Bartlesville	115,430
	Weststar Bank, A National Association, Bartlesville (6258)	318,907
July 21	First National Bank in Bartlesville, Bartlesville (6258)	NA
	Bank of Oklahoma Grove, Grove	43,484
	Bank of Oklahoma, National Association, Tulsa (13679)	1,894,008
August 1	Bank of Oklahoma, National Association, Tulsa (13679)	1,934,072
	Citizens State Bank, Maud	11,052
	The Bank, National Association, McAlester (13770)	152,831
August 18	The Bank, National Association, McAlester (13770)	NA
	American Bank of Muskogee, Muskogee	28,571
	Citizens National Bank & Trust of Muskogee, Muskogee (12918)	141,955
September 1	Citizens National Bank & Trust of Muskogee, Muskogee (12918)	NA
	American National Bank, Ardmore (17764)	33,269
	The Security State Bank, Comanche	9,045
September 22	American National Bank, Ardmore (17764)	NA
	Bank of Commerce, Jenks, Oklahoma, Jenks	10,624
	The Security National Bank of Coweta, Coweta (12111)	12,230
December 31	The Security National Bank of Coweta, Coweta (12111)	22,854
	PENNSYLVANIA	
	The First National Bank of Pennsylvania, Meadville (12)	820,652
	The National Bank of Corry, Corry (4823)	24,603
July 1	The First National Bank of Pennsylvania, Meadville (12)	841,577
	Community National Bank, Shamokin (5625)	50,565
	The Nanticoke National Bank, Nanticoke (7406)	49,618
July 25	Guaranty Bank, National Association, Shamokin (5625)	100,183
	CCNB Bank, N.A., New Cumberland (14542)	34,450
	The First National Bank of Loysville, Loysville (11524)	699,646
December 2	CCNB Bank, National Association, New Cumberland (14542)	733,996
	Peoples Bank, Shamokin	17,882
	Peoples Safe Deposit Bank, Saint Clair, Saint Clair	32,758
	Upper Dauphin National Bank, Millersburg (2252)	123,551
December 30	Community Banks, National Association, Millersburg (2252)	172,573
	SOUTH CAROLINA	
	Lake City State Bank, Lake City	55,414
	The National Bank of South Carolina, Sumter (10660)	414,982
October 17	The National Bank of South Carolina, Sumter (10660)	465,076
	SOUTH DAKOTA	
	First National Bank, Beresford (10813)	90,072
	Marshall County Bank, Britton	10,737
August 19	First National Bank, Beresford (10813)	NA

(Dollar amounts in thousands)

Date consummated	Merging banks / Resulting bank	Total assets
	TENNESSEE	
	The First American National Bank of Jefferson City, Jefferson City (11479)	64,463
	First American National Bank of Knoxville, Knoxville (17839)	1,184,582
July 1	First American National Bank, Knoxville (17839)	1,249,045
	First Southern Bank, Mount Juliet	58,567
	First American National Bank, Nashville (3032)	3,269,986
August 1	First American National Bank, Nashville (3032)	3,328,553
	First American National Bank, Knoxville (17839)	1,206,368
	First American National Bank, Rockwood (14231)	122,712
September 1	First American National Bank, Knoxville (17839)	1,329,080
	TEXAS	
	Texas Bank North, National Association, San Antonio (18350)	6,939
	Texas Bank, San Antonio	60,054
July 14	Texas Bank, National Association, San Antonio (18350)	66,791
	The American Bank, Palestine	20,789
	The Royall National Bank of Palestine, Palestine (7170)	61,333
July 14	The Royall National Bank of Palestine, Anderson (7170)	NA
	Metropolitan National Bank - Lewisville, Lewisville (18334)	317,386
	Metropolitan National Bank - Richardson (17420)	35,855
	Sherry Lane National Bank, Dallas (17994)	41,386
	Metropolitan National Bank, Farmers Branch (17031)	35,103
July 29	Metropolitan National Bank, Farmers Branch (17031)	131,288
	First RepublicBank Greenville, National Association, Greenville (8581)	85,852
	First RepublicBank Plano, National Association, Plano (13511)	172,750
	First RepublicBank Wichita Falls, National Association, Wichita Falls (13665)	304,233
	First RepublicBank San Antonio, National Association, San Antonio (14283)	797,201
	First RepublicBank Abilene, National Association, Abilene (13727)	218,162
	First RepublicBank Corsicana, National Association, Corsicana (3506)	200,642
	First RepublicBank Austin, National Association, Austin (4308)	1,688,329
	First RepublicBank Dallas, National Association, Dallas (12186)	17,085,655
	First RepublicBank Harlingen, National Association, Harlingen (12119)	213,556
	First RepublicBank Paris, Paris	79,339
	First RepublicBank Houston, National Association, Houston (9353)	2,712,008
	National Bank of Fort Sam Houston, San Antonio (13578)	634,806
	First RepublicBank Galveston, National Association, Galveston (1566)	257,165
	First RepublicBank Richmond, National Association, Richmond (10350)	99,889
	First RepublicBank Midland, National Association, Midland (17956)	659,374
	NCNB Texas National Bank, Dallas (21834)	NA
	First RepublicBank Fort Worth, National Association, Fort Worth (2349)	1,956,560
	First RepublicBank Conroe, National Association, Conroe (12809)	207,680
	First RepublicBank Williamson County, National Association, Austin (16791)	43,993
	First RepublicBank Temple, National Association, Temple (14459)	163,642
	First RepublicBank Henderson, National Association, Henderson (6176)	128,870
	First RepublicBank Cleburne, National Association, Cleburne (13951)	118,351
	First RepublicBank Mineral Wells, National Association, Mineral Wells (12669)	174,415
	First RepublicBank El Paso, National Association, El Paso (16506)	217,709
	First RepublicBank Jefferson County, Beaumont	240,727
	First RepublicBank Stephenville, National Association, Stephenville (12730)	124,191
	First RepublicBank Hillsboro, Hillsboro	68,086
	First RepublicBank Clifton, Clifton	82,273
	First RepublicBank Mt. Pleasant National Association, Mount Pleasant (13257)	141,141
	First RepublicBank Ennis, National Association, Ennis (13667)	96,091
	First RepublicBank Lubbock, National Association, Lubbock (12683)	528,101
	First RepublicBank Waco, National Association, Waco (3135)	716,274
	First RepublicBank Lufkin, Lufkin	224,868
	First RepublicBank A & M, College Station	101,039
	First RepublicBank Denison, National Association, Denison (3058)	143,514
	First RepublicBank Malakoff, Malakoff	49,588
	First RepublicBank Brownwood, National Association, Brownwood (4695)	126,695
	First RepublicBank Odessa, National Association, Odessa (13608)	174,996
	First RepublicBank Tyler, National Association, Tyler (13110)	610,442
	First RepublicBank Forney, Forney	54,599
	First RepublicBank Victoria, Victoria	175,166
July 29	NCNB Texas National Bank, Dallas (21834)	NA
	Galena Park State Bank, Galena Park	24,894
	Lockwood National Bank of Houston, Houston (14815)	146,906
August 11	Lockwood National Bank, Houston (14815)	NA

Mergers consummated involving two or more operating banks, July 1 to December 31, 1988 — continued
(Dollar amounts in thousands)

Date consummated	*Merging banks* *Resulting bank*	*Total assets*
	Gateway National Bank, Dallas (17164)	51,033
	1st Bank Balch Springs, Balch Springs	46,240
August 11	Gateway National Bank, Dallas (17164)	NA
	Texas Commerce Bank, National Association, Houston (10225)	11,638,350
	West Houston National Bank, Houston (18116)	26,448
August 11	Texas Commerce Bank, National Association, Houston (10225)	NA
	The Harlingen National Bank, Harlingen (14776)	138,470
	Town and Country National Bank, Harlingen (17519)	29,583
August 18	The Harlingen National Bank, Harlingen (14776)	NA
	Union National Bank of Texas, Austin, Texas, Austin (21889)	NA
	BancFirst - Westlake, National Association, Austin (18230)	14,956
August 25	Union National Bank of Texas, Austin, Texas, Austin (21889)	NA
	First Interstate Bank of Texas, National Association, Houston (17612)	5,592,809
	First National Bank of Atascocita, Humble (18177)	9,362
September 1	First Interstate Bank of Texas, National Association, Houston (17612)	NA
	Commercial State Bank, San Augustine	100,915
	The Hamilton National Bank, Hamilton (4451)	25,607
September 1	Hamilton National Bank, Hamilton (4451)	NA
	First National Bank of Rio Grande City, Rio Grande City (16618)	113,307
	Trinity National Bank, San Antonio (17955)	33,137
September 15	First National Bank of Rio Grande City, Rio Grande City (16618)	NA
	The Citizens National Bank of Cameron, Cameron (5484)	80,580
	Community Bank and Trust, Rockdale	14,945
September 22	The Citizens National Bank of Cameron, Cameron (5484)	NA
	MBank Corpus Christi, National Association, Corpus Christi (4423)	748,520
	MBank Corpus Christi South, National Association, Corpus Christi (18197)	52,713
September 23	MBank Corpus Christi, National Association, Corpus Christi (4423)	799,311
	Travis Bank and Trust, Austin	72,711
	United Bank of Waco, National Association, Waco (14901)	146,449
	Southwest Bank, Mesquite	58,631
	Sabine Bank, Port Arthur	93,088
	The First National Bank of Commerce, Commerce (4021)	44,043
September 29	United Bank of Waco, National Association, Waco (14901)	328,817
	First City Bank-Central, Beaumont	70,000
	First City Bank-Gateway, National Association, Beaumont (14871)	77,000
	First City National Bank of Beaumont, Beaumont (4017)	437,300
September 30	First City National Bank of Beaumont, Beaumont (4017)	582,800
	First City National Bank of Austin, Austin (14728)	702,400
	First City Bank-Northwest Hills, National Association, Austin (17963)	54,200
September 30	First City National Bank of Austin, Austin (14728)	734,200
	First City Bank - Central Park, San Antonio	178,700
	First City Bank - Windsor Park, San Antonio	122,000
	First City Bank-Forum, National Association, San Antonio (17941)	48,500
September 30	First City National Bank of San Antonio, San Antonio (17941)	327,100
	First City Bank - Almeda Genoa, Houston	79,000
	First City Bank-Medical Center, National Association, Houston (16420)	50,900
	First City Bank - Bear Creek, Harris County	46,400
	First City Bank - Bellaire, N.A., Bellaire (16109)	52,900
	First City Bank - Fondren South, Houston	65,500
	First City Bank-Westwood, National Association, Houston (17870)	27,300
	First City Bank - Gulfgate, Houston	168,700
	First City National Bank of Houston, Houston (13943)	4,930,500
	First City Bank - Inwood Forest, National Association, Houston (16138)	76,500
	First City Bank of Humble, Humble	81,100
	First City Bank - North Belt, National Association, Houston (16902)	57,100
	First City Bank - Northchase, National Association, Houston (17396)	52,000
	First City Bank - Northeast, N.A., Houston (16585)	71,700
	First City Bank - Westheimer, National Association, Houston (16829)	67,500
	First City Bank of Clear Lake, Houston	82,600
	First City Bank of Highland Village, Houston	146,800
	First City Bank of Northline, Houston	67,000
	First City Bank-Westheimer Plaza, National Association, Houston (17648)	63,100
September 30	First City National Bank of Houston, Houston (13943)	5,561,900
	Charter National Bank - Colonial, Houston (16493)	71,319
	Charter National Bank-Willowbrook, Houston (16849)	58,941
September 30	Charter National Bank-Colonial, Houston (16493)	130,260
	Omnibanc North Belt, National Association, Houston (18482)	10,474
	Omnibanc South, National Association, Houston (14703)	90,629
September 30	Omnibanc, National Association, Houston (14703)	101,102

Mergers consummated involving two or more operating banks, July 1 to December 31, 1988 — continued
(Dollar amounts in thousands)

Date consummated	Merging banks Resulting bank	Total assets
	First National Bank of Huntsville, Huntsville (4208)	111,927
	First National Bank-South, Huntsville (18343)	14,779
October 1	First National Bank of Huntsville, Huntsville (4208)	126,195
	Spring National Bank, Spring (18627)	39,826
	Southwest National Bank, Houston (18610)	18,077
November 3	Spring National Bank, Houston (18627)	NA
	American National Bank, Tyler (17380)	25,506
	The First National Bank of Winnsboro, Winnsboro (5674)	73,566
November 10	First National Bank of Winnsboro, Winnsboro (5674)	NA
	East Texas State Bank, Buna	22,090
	The First National Bank of Bonham, Bonham (3094)	41,722
November 17	First National Bank of Bonham, Bonham (3094)	NA
	Bank of the West, Lubbock	33,930
	First National Bank at Lubbock, Lubbock (14208)	616,979
December 1	First National Bank at Lubbock, Lubbock (14208)	648,021
	Texas Commerce Bank, National Association, Houston (10225)	11,638,350
	Union Bank of Houston, Houston	61,918
December 1	Texas Commerce Bank, National Association, Houston (10225)	NA
	Oak Lawn Bank, National Association, Dallas (17617)	10,577
	Cornerstone Bank, National Association, Dallas (20212)	139,301
December 1	Cornerstone Bank, National Association, Dallas (20212)	NA
	Texana National Bank of Belton, Belton (18262)	20,434
	First National Bank of Temple, Temple (13778)	157,214
December 1	First National Bank of Temple, Temple (13778)	NA
	First Interstate Bank of Port Arthur, Port Arthur	245,909
	First Interstate Bank of North San Antonio, San Antonio	88,013
	First Interstate Bank of Oak Cliff, Dallas	68,108
	First Interstate Bank of Waxahachie, National Association, Waxahachie (16488)	29,326
	First Interstate Bank of Cedar Hill, National Association, Cedar Hill (17598)	24,904
	First Interstate Bank of Angleton, National Association, Angleton (14024)	70,183
	First Interstate Bank of Longview, Longview	21,270
	First Interstate Bank of Bedford, Bedford	90,505
	First Interstate Bank of Conroe, Conroe	167,899
	First Interstate Bank of Texas, National Association, Houston (17612)	5,569,837
	First Interstate Bank of Fort Worth, Fort Worth	60,843
	First Interstate Bank of Beaumont, National Association, Beaumont (15269)	136,376
	First Interstate Bank of North Dallas, National Association, Dallas (16725)	45,802
	First Interstate Bank of Aransas County, Aransas County	56,177
	First Interstate Bank of North Richland Hills, National Association, Fort Worth (14982)	210,649
	First Interstate Bank of Irving, Irving	122,676
	First Interstate Bank of Plano, National Association, Plano (17059)	25,045
	First Interstate Bank of Northwest San Antonio, National Association, San Antonio (18662)	19,020
	First Interstate Bank of Dallas, Dallas	684,465
	First Interstate Bank of Brookhollow, Dallas	57,617
	First Interstate Bank of Keller, National Association, Keller (20022)	14,694
	First Interstate Bank of North Central, National Association, Dallas (18237)	30,804
	First Interstate Bank of Arlington, Arlington	26,212
	First Interstate Bank of Missouri City, Missouri City	51,238
	First Interstate Bank of Austin, Austin	32,666
	First Interstate Bank of North Austin, Austin	64,304
	First Interstate Bank of Marble Falls, Marble Falls	148,922
	First Interstate Bank of South Austin, Austin	22,332
	First Interstate Bank of Marshall, Marshall	38,532
	First Interstate Bank of Mesquite, National Association, Mesquite (6140)	143,136
December 12	First Interstate Bank of Texas, National Association, Houston (17612)	7,566,269
	First City Bank-Forest Hill, Forest Hill	42,800
	First City National Bank of Fort Worth, Fort Worth (17432)	58,100
December 15	First City National Bank of Fort Worth (17432)	97,200
	First City National Bank of Richmond, Richmond (13943)	99,099
	First City National Bank of Richmond, Richmond (12648)	77,500
December 15	First City National Bank of Houston, Houston (13943)	99,099
	First National Bank in Bogata, Bogata (19534)	13,310
	Peoples National Bank, Bogata (21944)	1,176
December 15	Peoples National Bank, Bogata (21944)	14,554
	Texas National Bank, Dallas (17250)	44,184
	Cornerstone Bank, National Association, Dallas (20212)	139,301
December 15	Cornerstone Bank, National Association, Dallas (20212)	NA

Mergers consummated involving two or more operating banks, July 1 to December 31, 1988 — continued
(Dollar amounts in thousands)

Date consummated	*Merging banks* *Resulting bank*	*Total assets*
	Charter National Bank - Houston, Houston (15078)	324,538
	Charter National Bank - Southwest, Houston (18014)	15,743
December 30	Charter National Bank-Houston, Houston (15078)	340,281
	WASHINGTON	
	Community State Bank, Blaine	17,318
	Bellingham National Bank, Bellingham (21735)	194,511
December 10	Bellingham National Bank, Bellingham (21735)	210,079
	WEST VIRGINIA	
	Community Bank and Trust, N.A., Fairmont (15760)	204,498
	The Security Bank, Fairmont	7,445
September 17	Community Bank & Trust, National Association, Fairmont (15760)	211,272
	WISCONSIN	
	First Wisconsin National Bank of Fond du Lac, Fond du Lac (555)	166,019
	First Wisconsin Bank of Eldorado, Eldorado	11,516
August 15	First Wisconsin National Bank of Fond du Lac, Fond du Lac (555)	177,518
	Farmers State Bank, Viola	9,259
	First National Bank in Viroqua, Viroqua (14058)	29,888
December 5	First National Bank in Viroqua, Viroqua (14058)	39,147
	WYOMING	
	Wyoming National Bank Casper, Casper (10533)	184,181
	Wyoming National Bank Casper East, Casper (16818)	12,576
	Wyoming National Bank Casper West, Casper (18217)	18,808
November 14	Wyoming National Bank Casper, Casper (10533)	215,565
	Wyoming National Bank Cheyenne, Cheyenne (2652)	105,270
	Wyoming National Bank Cheyenne East, Cheyenne (18574)	12,470
November 21	Wyoming National Bank Cheyenne, Cheyenne (2652)	117,140

Mergers consummated involving a single operating bank, July 1 to December 31, 1988
(Dollar amounts in thousands)

Date consummated	*Merging banks* / *Resulting bank*	*Total assets*
	ALABAMA	
	First National Bank of Opelika, Opelika	
	Lee County National Bank, Opelika	
August 9	First National Bank of Opelika, Opelika (3452)	$105,573
	Fort Rucker National Interim Bank, Fort Rucker	
	Fort Rucker National Bank, Fort Rucker	
October 12	Fort Rucker National Bank, Fort Rucker (15658)	34,996
	CALIFORNIA	
	Vineyard Interim National Bank, Rancho Cucamonga	
	Vineyard National Bank, Rancho Cucamonga	
December 16	Vineyard National Bank, Rancho Cucamonga (17089)	87,828
	CONNECTICUT	
	The First National Bank of Litchfield, Litchfield	
	The Interim National Bank of Litchfield, Litchfield	
December 2	The First National Bank of Litchfield, Litchfield (709)	100,871
	FLORIDA	
	Interim National Bank of South Miami, South Miami	
	The First National Bank of South Miami, South Miami	
August 1	The First National Bank of South Miami, South Miami (15000)	232,879
	Peoples National Bank of Niceville, Niceville	
	The Peoples Interim National Bank of Niceville, Niceville	
December 31	Peoples National Bank of Niceville, Niceville (21041)	29,449
	ILLINOIS	
	New National Bank of Watseka, Watseka	
	Watseka First National Bank, Watseka	
July 22	Watseka First National Bank, Watseka (15022)	38,936
	The Brookport National Bank, Brookport	
	Downstate National Bank, Brookport	
October 21	Downstate National Bank, Brookport (6713)	14,165
	National Bank of Commerce, Berkeley	
	NBC National Bank, Berkeley	
November 15	National Bank of Commerce, Berkeley (18356)	101,724
	Merchandise National Bank of Chicago, Chicago	
	Merchandise National Interim Bank, Chicago	
December 30	Merchandise National Bank of Chicago, Chicago (14380)	140,133
	DNB National Bank, Marshall	
	The Dulaney National Bank of Marshall, Marshall	
December 31	Dulaney National Bank, Marshall (4759)	33,610
	INDIANA	
	Converse Interim, National Association, Converse	
	First-Farmers National Bank, Converse	
August 8	First Farmers National Bank, Converse (11671)	52,284
	CNB Bank, National Association, Tell City	
	The Citizens National Bank of Tell City, Tell City	
October 1	The Citizens National Bank of Tell City, Tell City (7375)	111,783
	KANSAS	
	Hutchinson Interim National Bank, Hutchinson	
	Hutchinson National Bank and Trust Company, Hutchinson	
September 20	Hutchinson National Bank and Trust Company, Hutchinson (10765)	173,847
	MARYLAND	
	New Elkridge National Bank, Elkridge	
	Elkridge National Bank, Elkridge	
September 7	Elkridge National Bank, Elkridge (14956)	52,664
	Bay National Bank, Annapolis	
	Depositor's National Bank, Towson	
December 21	Bay National Bank, Annapolis (18586)	26,857
	MICHIGAN	
	Commercial National Bank & Trust Co. Mountain, National Association, Iron Mountain	
	First of America Bank Iron Mountain, National Associaiton, Iron Mountain	
October 31	First of America Bank Iron Mountain, National Association, Iron Mountain (14452)	73,538

Mergers consummated involving a single operating bank, July 1 to December 31, 1988 — continued
(Dollar amounts in thousands)

Date consummated	*Merging banks* *Resulting bank*	*Total assets*
	MISSOURI	
	First Interim National Bank of Salem, Salem	
	The First National Bank of Salem, Salem	
October 31	The First National Bank of Salem, Salem (7921)	61,334
	NEW JERSEY	
	Newco National Bank, Plainfield	
	The First National Bank of Blairstown, Blairstown	
August 1	The First National Bank of Blairstown, Blairstown (5621)	40,842
	The Phillipsburg National Bank and Trust Company, Phillipsburg	
	PNB National Bank, Phillipsburg	
August 1	The Phillipsburg National Bank and Trust Company, Phillipsburg (1239)	161,763
	Equity National Bank, Waterford Township	
	The Atco National Bank, Waterford Township	
December 31	Equity National Bank, Waterford Township (12617)	50,756
	NEW YORK	
	NBDC National Bank, Walton	
	The National Bank of Delaware County, Walton	
September 30	The National Bank of Delaware County, Walton (4495)	74,803
	ONB National Bank, Clifton Springs	
	The Ontario National Bank of Clifton Springs, Clifton Springs	
September 30	The Ontario National Bank of Clifton Springs, Clifton Springs (8717)	31,438
	Eastbank, National Association, New York City	
	East Interim National Bank, New York	
October 7	Eastbank, National Association, New York (18431)	71,132
	NORTH CAROLINA	
	Metrobank National Association, Charlotte	
	RHNB National Bank of North Carolina, Charlotte	
December 5	RHNB National Bank of North Carolina, Charlotte (16356)	22,827
	OHIO	
	F & M Interim National Bank, Bellaire	
	Farmers and Merchants National Bank in Bellaire, Bellaire	
July 1	Farmers and Merchants National Bank in Bellaire, Bellaire (13996)	11,833
	FNB Georgetown, National Association, Georgetown	
	The First National Bank of Georgetown, Georgetown	
October 31	The First National Bank of Georgetown, Georgetown (2705)	29,282
	OKLAHOMA	
	Alliance Bank, National Association, Oklahoma City	
	New Alliance Bank, National Association, Oklahoma City	
November 16	First National Bank, Oklahoma City (21853)	14,787
	PENNSYLVANIA	
	The Union National Interim Bank of Mount Carmel, Mount Carmel	
	The Union National Bank of Mount Carmel, Mount Carmel	
July 1	The Union National Bank of Mount Carmel, Mount Carmel (8393)	39,296
	FNBD National Bank, Danville	
	The First National Bank of Danville, Danville	
August 1	The First National Bank of Danville, Danville (325)	99,618
	Peoples First National Bank and Trust Company, Hazleton	
	Peoples Interim Bank, National Association, Hazleton	
August 8	Peoples First National Bank and Trust Company, Hazleton (3893)	284,128
	The First National Bank of Nicholson, Nicholson	
	The Nicholson Interim National Bank, Nicholson	
December 30	The First National Bank of Nicholson, Nicholson (7910)	76,103
	TENNESSEE	
	Citizens Interim National Bank of Athens, Athens	
	The Citizens National Bank of Athens, Athens	
August 1	The Citizens National Bank of Athens, Athens (10735)	65 986
	NBPC National Bank, Copperhill	
	The First National Bank of Polk County, Copperhill	
December 16	The First National Bank of Polk County, Copperhill (9027)	53 727

Mergers consummated involving a single operating bank, July 1 to December 31, 1988 — continued
(Dollar amounts in thousands)

Date consummated	*Merging banks* *Resulting bank*	*Total assets*
	VIRGINIA	
	Powell Valley Interim Bank, National Association, Jonesville	
	The Powell Valley National Bank of Jonesville, Jonesville	
September 15	Powell Valley National Bank, Jonesville (9924)	75,463
	WEST VIRGINIA	
	Albright National Bank of Kingwood, Kingwood	
	ANB National Bank, Kingwood	
December 31	Albright National Bank of Kingwood, Kingwood (10480)	87,140
	The First National Bank of Romney, Romney	
	The First National Bank of Romney, Inc., Romney	
December 31	The First National Bank of Ronmey, Romney (9766)	46,295
	WISCONSIN	
	Community National Bank, Mukwonago	
	Heritage National Bank of Mukwonago, Mukwonago	
October 1	Heritage National Bank of Mukwonago, Mukwonago (16801)	16,865
	Platteville Interim National Bank, Platteville	
	The First National Bank of Platteville, Platteville	
December 31	First National Bank of Platteville, Platteville (4650)	53,074

National banks converted to state banks, July 1 to December 31, 1988

Title and location of bank	Effective date	Total assets
CALIFORNIA		
Metrobank, N.A., Los Angeles (16764), converted to Metrobank	November 1	$759,841,000
Bank of San Ramon, N.A., San Ramon (18488), converted to The Bank of San Ramon	October 14	31,168,000
Pasadena First National Bank, Pasadena (17622), converted to Community Bank, Los Angeles	December 30	35,255,000
DELAWARE		
First National Bank of Wilmington, Newark (15060), converted to Primerica Bank	December 13	336,923,000
ILLINOIS		
First Bank of Chester, N.A., Chester (14424), converted to First Bank	September 7	37,054,000
First National Bank of Pittsfield, Pittsfield (1042), converted to First Bank	September 7	50,442,000
First Bank of Red Bud, N.A., Red Bud (14478), converted to First Bank	September 7	45,234,000
First National Bank of Wyanet, Wyanet (9277), converted to First State Bank of Wyanet	August 1	8,267,000
MISSOURI		
Bank of Louisiana, N.A., Louisiana (20915), converted to Bank of Louisiana	July 18	25,742,000
NEW HAMPSHIRE		
First Capital Bank, N.A., Concord (318), converted to First Capital Bank	August 9	297,879,000
TEXAS		
Texas National Bank, Odessa (17259), converted to Texas Bank	December 5	42,889,000

National banks merged into state banks, July 1 to December 31, 1988

Title and location of bank	Effective date	Total assets of national banks
CALIFORNIA		
Bank of Del Mar, N.A., Del Mar (18240), merged into La Jolla Bank & Trust Company, La Jolla	July 1	$ 26,862,000
Hidden Valley National Bank, Escondido (17658), merged into La Jolla Bank & Trust Company, La Jolla	July 1	52,101,000
MASSACHUSETTS		
Abington National Bank, Abington (1386), merged into Granite Co-operative Bank, Quincy	September 1	20,474,000
MINNESOTA		
First National Bank of Blooming Prairie, Blooming Prairie (6775), merged into First American Bank of Blooming Prairie, Blooming Prairie	July 21	19,972,000
MISSISSIPPI		
Gulf National Bank of Gulfport, Gulfport (14487), merged into The Peoples Bank of Biloxi, Biloxi	August 19	87,750,000
NEW HAMPSHIRE		
Laconia Peoples National Bank and Trust, Laconia (4037), merged into First Central Bank, Laconia	July 1	164,610,000
Granite State National Bank, Somersworth (1180), merged into First NH Banks Granite State, Rochester	August 1	148,465,000
OKLAHOMA		
First National Bank of Gracemont, Gracemont (12318), merged into First State Bank, Andarko	November 10	7,157,000
Miami National Bank, Miami (16606), merged into Bank of Miami, Miami	November 10	10,825,000
TENNESSEE		
The First National Bank of Franklin County at Decherd, Decherd (7397), merged into Dominion Bank of Middle Tennessee, Nashville	October 14	58,666,000
Union National Bank, Fayetteville (13948), merged into Dominion Bank of Middle Tennessee, Nashville	August 12	109,541,000
Peoples National Bank of Shelbyville, Shelbyville (3530), merged into Dominion Bank of Middle Tennessee, Nashville	December 9	97,992,000
TEXAS		
Allen National Bank, Allen (16972), merged into Benchmark Bank, Quinlan	July 14	26,344,000
Security National Bank, Amarillo (16961), merged into BancCentral, Amarillo	October 24	23,127,000
First City Bank Central Arlington, National Association, Arlington (16468), merged into First City Bank of Dallas, Dallas	December 21	87,096,000
First City National Bank of Arlington, Arlington (14674), merged into First City Bank of Dallas, Dallas	December 30	244,941,000
Pioneer National Bank, Arlington (18281), merged into Deposit Guaranty Bank, Dallas	September 1	25,536,000
First National Bank Austin, Austin (18442), merged into First State Bank, Austin	August 18	27,457,000
First National Bank in Center, Center (14787), merged into Citizens Bank, Kilgore	December 15	27,867,000
First City National Bank of Colleyville, Colleyville (15999), merged into First City Bank of Dallas, Dallas	December 30	55,117,000
First National Bank of Crosby, Crosby (21466), merged into Compass Bank, Houston	December 19	8,901,000
First City Bank Market Center, N.A., Dallas (15501), merged into First City Bank of Dallas, Dallas	September 30	70,946,000
Grand Bank, National Association, Dallas (18040), merged into Grand Bank, Dallas	December 9	164,195,000
Highland Park National Bank, Dallas (18300), merged into Deposit Guaranty Bank, Dallas	August 25	33,205,000
First City National Bank of Fort Worth, Fort Worth (17432), merged into First City Bank of Dallas, Dallas	December 30	75,062,000
Capital National Bank, Fort Worth (18108), merged into Central Bank and Trust, Fort Worth	September 15	26,378,000
Fidelity National Bank of Fort Worth, Fort Worth (18412), merged into Fidelity Bank, Fort Worth	October 6	33,844,000
First City Bank of Garland, N.A., Garland (15410), merged into First City Bank of Dallas, Dallas	September 30	134,203,000
First City National Bank in Grand Prairie, Grand Prairie (14576), merged into First City Bank of Dallas, Dallas	September 30	80,421,000
Compass Bank Houston, N.A., Houston (17605), merged into Compass Bank, Houston	December 19	95,665,000
Oak Forest National Bank, Longview (18319), merged into Longview Bank and Trust Company, Longview	August 15	8,449,000
First City Bank of Plano, Plano (17072), merged into First City Bank of Dallas, Dallas	December 29	62,461,000
First Bank of Port Isabel, N.A., Port Isabel (18466), merged into FirstBank, Los Fresnos	August 1	17,671,000
Frontier National Bank, Round Rock (17018), merged into First State Bank, Austin	October 27	39,529,000
Round Rock National Bank, Round Rock (18207), merged into First State Bank, Austin	October 27	37,001,000
WEST VIRGINIA		
Crossroads National Bank, Bradley (17007), merged into Bank of Raleigh, Beckley	September 19	9,294,000
First National Bank of Grafton, Grafton (2445), merged into First Community Bank, Inc., Princeton	October 31	34,031,000

National banks merged into state banks, July 1 to December 31, 1988 — continued

Title and location of bank	Effective date	Total assets of national banks
WISCONSIN		
First National Bank of Maiden Rock, Maiden Rock (11432), merged into Pierce County Bank and Trust Company, Ellsworth	November 30	11,491,000
First National Bank of Mondovi, Mondovi (5779), merged into Bank of Mondovi, Mondovi	August 1	17,941,000

National bank liquidated under emergency procedures, July 1 to December 31, 1988

Title and location of bank	Effective date	Total assets
TEXAS		
ResourceBank, N.A., Houston (17903)	December 8	$37,903,000

Assets, liabilities and capital accounts of national banks, September 30, 1987 and September 30, 1988
(Dollar amounts in millions)

	Sept 30, 1987 4,699 banks	Sept. 30, 1988 4,392 banks*	Change Sept 30, 1987 – Sept 30, 1988 Fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Assets				
Cash and balances due from depository institutions.				
Noninterest-bearing balances and currency and coin	$ 109,321	$ 121,649	$ 12,328	11.3
Interest-bearing balances	89,429	78,555	-10,874	-12.2
Securities	285,749	294,826	9,077	3.2
Federal funds sold and securities purchased under agreements to resell	75,134	79,643	4,509	6.0
Loans and leases, net of unearned income	1,090,033	1,164,894	74,861	6.9
Less allowance for loan and lease losses	30,596	32,184	1,588	5.2
Less allocated transfer risk reserve	161	122	-39	-24.2
Net loans and leases	1,059,276	1,132,588	73,312	6.9
Premises and fixed assets	26,339	27,006	667	2.5
Other real estate owned	5,997	8,142	2,145	35.8
Other assets	77,903	77,636	-267	-0.3
Total assets	1,729,149	1,820,045	90,896	5.3
Liabilities				
Noninterest-bearing deposits in domestic offices	258,424	172,197	-86,227	-33.4
Interest-bearing deposits in domestic offices	834,919	506,958	-327,961	-39.3
Total domestic deposits	1,093,343	679,155	-414,188	-37.9
Noninterest-bearing deposits in foreign offices	10,677	9,947	-730	-6.8
Interest-bearing deposits in foreign offices	203,567	186,304	-17,263	-8.5
Total foreign deposits	214,244	198,296	-15,948	-7.4
Total deposits	1,307,587	1,323,434	15,847	1.2
Federal funds purchased and securities sold under agreements to repurchase	161,842	164,978	3,136	1.9
Interest-bearing demand notes issued to the U.S. Treasury	19,828	19,946	118	0.6
Other liabilities for borrowed money	60,378	74,223	13,845	22.9
Mortgage indebtedness and liability for capitalized leases	1,531	1,371	-600	-10.5
Subordinated notes and debentures	9,750	9,353	-397	-4.1
All other liabilities	67,633	42,171	-25,462	-37.6
Total liabilities	1,628,550	1,704,376	75,826	4.7
Limited-life preferred stock	77	76	-1	-1.3
Equity capital				
Perpetual preferred stock	969	857	-112	-11.6
Common stock	16,627	15,971	-656	-3.9
Surplus	36,287	36,391	104	0.3
Undivided profits and capital reserves	46,901	48,884	1,983	4.2
Cumulative foreign currency translation adjustments	-261	4,138	4,399	-685.4
Total equity capital	100,522	106,240	5,718	5.7
Total liabilities, limited-life preferred stock, and equity capital	1,729,149	1,820,045	90,896	5.3

*Reporting national banks. Does not include the nonnational bank in the District of Columbia

Year-to-date income and expenses of foreign and domestic offices and subsidiaries of national banks, September 30, 1988
(Dollar amounts in millions)

	4,392 banks*	
	Consolidated foreign and domestic	*Percent distribution*
Interest income:		
Interest and fee income on loans	$ 88,790	74.4
Income from lease financing receivables	1,909	1.6
Interest income on balances due from depository institutions	5,479	4.6
Interest and dividend income on securities	16,495	13.8
Interest income from assets held in trading accounts	2,439	2.0
Interest income from federal funds sold and securities purchased under agreements to resell	4,282	3.6
Total interest income	119,393	100.0
Interest expense:		
Interest on deposits	55,515	75.9
Expense of federal funds purchased and securities sold under agreements to repurchase	9,160	12.5
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	7,783	10.6
Interest on mortgage indebtedness and obligations under capitalized leases	119	0.2
Interest on notes and debentures subordinated to deposits	606	0.8
Total interest expense	73,183	100.0
Net interest income	46,211	
Provision for loan and lease losses	7,617	
Provision for allocated transfer risk	93	
Noninterest income:		
Service charges on deposit accounts	4,331	21.2
Other noninterest income	16,069	78.8
Total noninterest income	20,400	100.0
Gains and losses on securities not held in trading accounts	260	
Noninterest expense:		
Salaries and employee benefits	20,472	45.2
Expenses of premises and fixed assets (net of rental income)	7,136	15.8
Other noninterest expense	17,648	39.0
Total noninterest expense	45,256	100.0
Income (loss) before income taxes and extraordinary items and other adjustments	13,906	
Applicable income taxes	4,275	
Income before extraordinary items and other adjustments	9,631	
Extraordinary items and adjustments, net of taxes	290	
Net income	9,921	
Total cash dividends declared	5,685	
Recoveries credited to allowance for possible loan losses	1,989	
Losses charged to allowance for possible loan losses	10,671	
Net loan losses	8,682	
Ratio to total operating income:		
Interest on deposits	39.7	
Other interest expense	12.6	
Salaries and employee benefits	14.6	
Other noninterest expense	17.7	
Total operating expenses	84.7	
Ratio of net income (annualized) to:		
Total assets (end of period)	0.73	
Total equity capital	12.45	

*Reporting national banks. Does not include the nonnational bank in the District of Columbia

Deposits of national banks, by states, September 30, 1988
(Dollar amounts in millions)

	Total demand deposits at domestic offices	NOW and automatic accounts accounts	Money Market deposit accounts	Other large time deposits	All other time deposits at domestic offices	Total deposits at foreign offices	Total consolidated deposits
All national banks	$258 555	$109,535	$209,251	$216,946	$385,845	$198,296	$1,378,430
Alabama	2,212	1,360	1,715	1,934	4,564	164	11,949
Alaska	689	139	455	350	506	1	2,141
Arizona	2,944	1,287	3,455	1,558	5,409	0	14,654
Arkansas	1,436	1,244	1,253	1,082	3,278	0	8,293
California	34,057	13,339	27,550	18,894	37,375	26,696	157,911
Colorado	3,444	1,865	2,871	2,147	3,677	186	14,190
Connecticut	3 995	1,398	2,820	1,652	4,964	424	15,254
Delaware	259	72	1,685	4,236	1,249	0	7,500
District of Columbia*	2,881	1,205	3,452	2,660	2,180	2,589	14,967
Florida	13,612	8,137	14,561	10,185	20,513	988	67,997
Georgia	6,714	2,394	4,921	4,310	7,496	801	26,637
Hawaii	51	31	26	37	78	0	224
Idaho	760	585	944	367	1,842	0,	4,498
Illinois	13,532	4,593	8,340	16,844	19,606	24,224	87,140
Indiana	4,322	2,435	3,162	2,790	9,768	244	22,721
Iowa	1,631	1,035	1,132	494	3,740	0	8,033
Kansas	1,607	1,167	1,606	1,325	3,512	0	9,218
Kentucky	2,191	1,397	1,308	1,526	4,652	261	11,335
Louisiana	3,463	1,286	3,831	3,913	4,635	405	17,533
Maine	521	312	626	347	1,196	0	3,002
Maryland	4,197	1,141	3,296	2,573	5,576	780	17,564
Massachusetts	7,528	2,241	7,568	6,880	8,013	7,886	40,117
Michigan	7,565	2,406	5,874	5,197	13,526	2,953	37,522
Minnesota	5,108	2,477	3,205	6,689	7,784	2,240	27,503
Mississippi	1,328	754	1,183	1,319	2,882	0	7,466
Missouri	5,177	2,249	2,961	3,360	6,602	170	20,520
Montana	643	444	538	241	1,361	0	3,226
Nebraska	1,494	1,143	1,149	654	3,791	0	8,231
Nevada	1,028	433	699	274	1,110	0	3,545
New Hampshire	529	423	686	967	1,342	0	3,947
New Jersey	11,994	4,007	8,797	6,918	17,946	340	50,002
New Mexico	843	718	922	870	1,680	0	5,034
New York	33,694	7,573	23,971	25,306	32,226	108,141	230,911
North Carolina	6,312	2,935	5,108	6,903	10,099	2,123	33,480
North Dakota	319	436	293	222	1,271	0	2,540
Ohio	10,013	5,302	8,960	9,064	23,891	1,937	59,167
Oklahoma	2,703	1,628	1,997	2,212	5,108	32	13,679
Oregon	2,337	1,566	2,253	1,075	4,053	0	11,283
Pennsylvania	13,740	5,198	13,697	12,702	23,224	9,546	78,108
Rhode Island	1,090	476	1,244	2,157	2,913	1,135	9,014
South Carolina	1,976	1,446	1,616	956	3,261	0	9,256
South Dakota	519	461	529	1,523	1,891	0	4,924
Tennessee	3,651	2,119	2,034	2,903	7,353	226	18,287
Texas	20,427	9,270	13,109	29,716	29,235	2,614	104,371
Utah	967	623	935	694	1,994	73	5,286
Vermont	268	191	290	208	862	0	1,819
Virginia	3,549	2,136	2,489	3,479	8,018	204	19,876
Washington	5,153	2,228	4,804	2,739	7,677	807	23,407
West Virginia	1,082	798	829	655	4,593	0	7,957
Wisconsin	2,703	1,139	2,167	1,472	5,661	106	13,248
Wyoming	286	283	330	313	643	0	1,854
Puerto Rico	11	5	0	50	21	0	87
Virgin Islands	0	0	0	0	0	0	0

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
Note: Figures may not add to totals due to rounding

Loans of national banks, by states, September 30, 1988
(Dollar amounts in millions)

	Total loans, gross	*Loans secured by real estate*	*Loans to farmers*	*Commercial and industrial loans*	*Personal loans to individuals*	*Other loans*	*Total loans less unearned income*	*Total loans at foreign offices*
All national banks	$1,174,662	$379,356	$13,702	$ 357,637	$218,398	$ 66,607	$1,164,951	$138,962
Alabama	9,433	3,520	50	3,589	2,001	273	9,268	0
Alaska	1,230	459	2	638	101	29	1,230	1
Arizona	11,716	4,127	461	3,370	3,122	635	11,705	0
Arkansas	5,401	2,311	224	1,613	1,107	147	5,353	0
California	142,068	52,457	1,882	30,017	19,376	9,251	141,838	29,086
Colorado	9,677	3,832	465	2,885	1,986	500	9,668	9
Connecticut	15,098	7,361	23	4,719	2,645	302	14,941	48
Delaware	18,802	950	2	553	17,215	82	18,788	0
District of Columbia*	11,857	4,950	0	4,034	998	1,196	11,806	678
Florida	55,051	26,516	192	13,318	13,788	1,113	54,128	124
Georgia	23,133	8,214	72	7,790	5,875	1,015	23,036	167
Hawaii	142	77	0	50	13	2	142	0
Idaho	3,832	980	376	1,202	1,155	119	3,819	0
Illinois	66,712	14,880	817	27,831	6,432	6,697	66,299	10,054
Indiana	18,228	6,152	280	6,114	4,880	702	18,126	100
Iowa	5,098	1,662	500	1,396	1,355	185	5,068	0
Kansas	5,511	1,807	650	1,727	1,136	192	5,496	0
Kentucky	9,159	2,860	118	3,315	2,143	681	9,018	41
Louisiana	12,419	4,484	92	4,830	2,259	394	12,338	361
Maine	2,716	1,575	11	709	408	13	2,692	0
Maryland	16,283	6,596	31	4,800	3,587	869	16,219	400
Massachusetts	42,688	14,230	31	16,116	3,826	3,747	42,531	4,738
Michigan	28,134	9,349	112	10,623	4,802	1,933	28,111	1,316
Minnesota	22,790	5,427	440	10,508	3,642	2,142	22,660	631
Mississippi	5,161	1,981	91	1,564	1,388	138	5,043	0
Missouri	15,612	6,140	300	5,123	2,784	1,173	15,548	93
Montana	1,680	469	212	527	455	17	1,673	0
Nebraska	5,292	1,211	995	1,314	1,494	278	5,290	0
Nevada	7,097	816	18	918	5,290	54	7,089	0
New Hampshire	3,922	1,318	0	779	1,803	22	3,920	0
New Jersey	43,311	20,064	12	15,290	6,769	1,008	42,738	168
New Mexico	3,434	1,644	109	885	712	83	3,403	0
New York	203,587	44,016	331	46,098	18,534	11,260	199,581	83,347
North Carolina	30,582	12,389	169	11,262	4,640	1,689	30,560	434
North Dakota	1,516	465	234	429	364	24	1,515	0
Ohio	49,561	15,150	318	16,467	14,928	2,471	49,294	228
Oklahoma	7,296	2,989	488	2,353	1,061	405	7,263	0
Oregon	9,291	2,542	256	4,086	1,942	460	9,274	5
Pennsylvania	65,354	17,249	125	28,944	9,467	5,956	64,782	3,614
Rhode Island	8,842	3,515	2	3,125	1,038	1,078	8,831	85
South Carolina	8,139	3,072	42	2,801	1,983	241	8,027	0
South Dakota	14,880	503	281	1,148	12,841	106	14,861	0
Tennessee	14,590	5,367	78	5,207	3,311	628	14,423	0
Texas	77,663	29,970	1,530	29,353	9,436	4,754	77,113	2,621
Utah	4,350	1,585	75	1,440	1,086	164	4,336	0
Vermont	1,528	916	16	374	217	5	1,528	0
Virginia	17,092	7,028	115	4,779	4,663	488	16,995	19
Washington	21,179	7,563	738	6,304	4,877	1,197	21,156	501
West Virginia	5,122	2,393	11	1,125	1,546	47	5,051	0
Wisconsin	10,484	3,933	220	3,885	1,717	634	10 463	95
Wyoming	862	278	106	292	179	6	858	0
Puerto Rico	55	16	0	20	19	0	54	0
Virgin Islands	0	0	0	0	0	0	0	0

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency
Note: Figures may not add to totals due to rounding

Outstanding balances, credit cards and related plans of national banks, September 30, 1988
(Dollar amounts in thousands)

	Total number of national banks	Credit cards and other related credit plans	
		Number of national banks	Outstanding volume
All national banks	4,393	2,207	$61,972,205
Alabama	53	17	255,531
Alaska	3	2	50,075
Arizona	15	12	294,862
Arkansas	84	15	197,669
California	166	138	9,859,409
Colorado	232	197	687,391
Connecticut	16	10	498,684
Delaware	19	18	15,467,957
District of Columbia	22	19	147,445
Florida	156	68	2,259,297
Georgia	58	39	1,937,279
Hawaii	3	1	2,949
Idaho	6	6	167,547
Illinois	369	182	811,104
Indiana	101	78	934,057
Iowa	102	53	457,597
Kansas	167	42	228,315
Kentucky	81	36	169,231
Louisiana	60	23	424,980
Maine	7	7	65,271
Maryland	26	17	1,586,353
Massachusetts	40	31	973,636
Michigan	83	54	1,338,935
Minnesota	162	106	706,388
Mississippi	27	8	52,430
Missouri	97	54	347,579
Montana	57	30	34,011
Nebraska	111	41	756,152
Nevada	7	5	4,776,890
New Hampshire	17	12	1,322,031
New Jersey	63	43	656,697
New Mexico	41	11	178,575
New York	104	63	3,385,805
North Carolina	15	12	571,412
North Dakota	29	10	59,393
Ohio	135	96	3,049,507
Oklahoma	200	67	40,951
Oregon	7	6	603,235
Pennsylvania	165	76	711,518
Rhode Island	5	4	282,313
South Carolina	25	19	308,897
South Dakota	24	9	800,605
Tennessee	53	23	624,585
Texas	838	251	225,046
Utah	7	2	91,037
Vermont	12	5	37,954
Virginia	53	22	997,864
Washington	23	12	1,901,761
West Virginia	93	28	63,776
Wisconsin	115	98	551,967
Wyoming	37	27	9,953
Puerto Rico	1	1	7,893
Virgin Islands	0	0	0
District of Columbia—all*	23	20	147,851

*Includes the nonnational bank in the District of Columbia which is supervised by the Comptroller of the Currency

National banks engaged in lease financing, September 30, 1988
(Dollar amounts in thousands)

	Total number of national banks	*Number of banks engaged in lease financing*	*Amounts of lease financing at domestic offices*
All national banks	4,393	1,019	$23,413,973
Alabama	53	5	66,863
Alaska	3	1	14,010
Arizona	15	5	303,472
Arkansas	84	27	13,338
California	166	53	4,305,998
Colorado	232	82	134,607
Connecticut	16	2	654
Delaware	19	2	74,958
District of Columbia	22	6	55,713
Florida	156	25	281,943
Georgia	58	12	473,830
Hawaii	3	1	1,792
Idaho	6	3	67,311
Illinois	369	91	269,471
Indiana	101	45	384,734
Iowa	102	17	9,567
Kansas	167	36	32,957
Kentucky	81	26	167,888
Louisiana	60	11	33,302
Maine	7	2	6,251
Maryland	26	6	495,945
Massachusetts	40	16	2,538,299
Michigan	83	20	414,866
Minnesota	162	73	252,911
Mississippi	27	3	1,895
Missouri	97	23	190,719
Montana	57	9	965
Nebraska	111	27	66,538
Nevada	7	2	7,101
New Hampshire	17	5	11,306
New Jersey	63	16	296,557
New Mexico	41	14	15,107
New York	104	22	5,775,999
North Carolina	15	6	1,016,514
North Dakota	29	14	8,606
Ohio	135	62	1,384,462
Oklahoma	200	45	12,333
Oregon	7	3	233,997
Pennsylvania	165	31	1,747,638
Rhode Island	5	2	956,357
South Carolina	25	5	75,429
South Dakota	24	8	3,600
Tennessee	53	16	122,530
Texas	838	67	453,702
Utah	7	5	112,549
Vermont	12	1	1,831
Virginia	53	7	135,201
Washington	23	8	221,723
West Virginia	93	6	2,138
Wisconsin	115	38	158,273
Wyoming	37	7	673
Puerto Rico	1	0	0
Virgin Islands	0	0	0
District of Columbia—all*	23	6	55,713

*Includes the nonnational bank in the District of Columbia which is supervised by the Comptroller of the Currency

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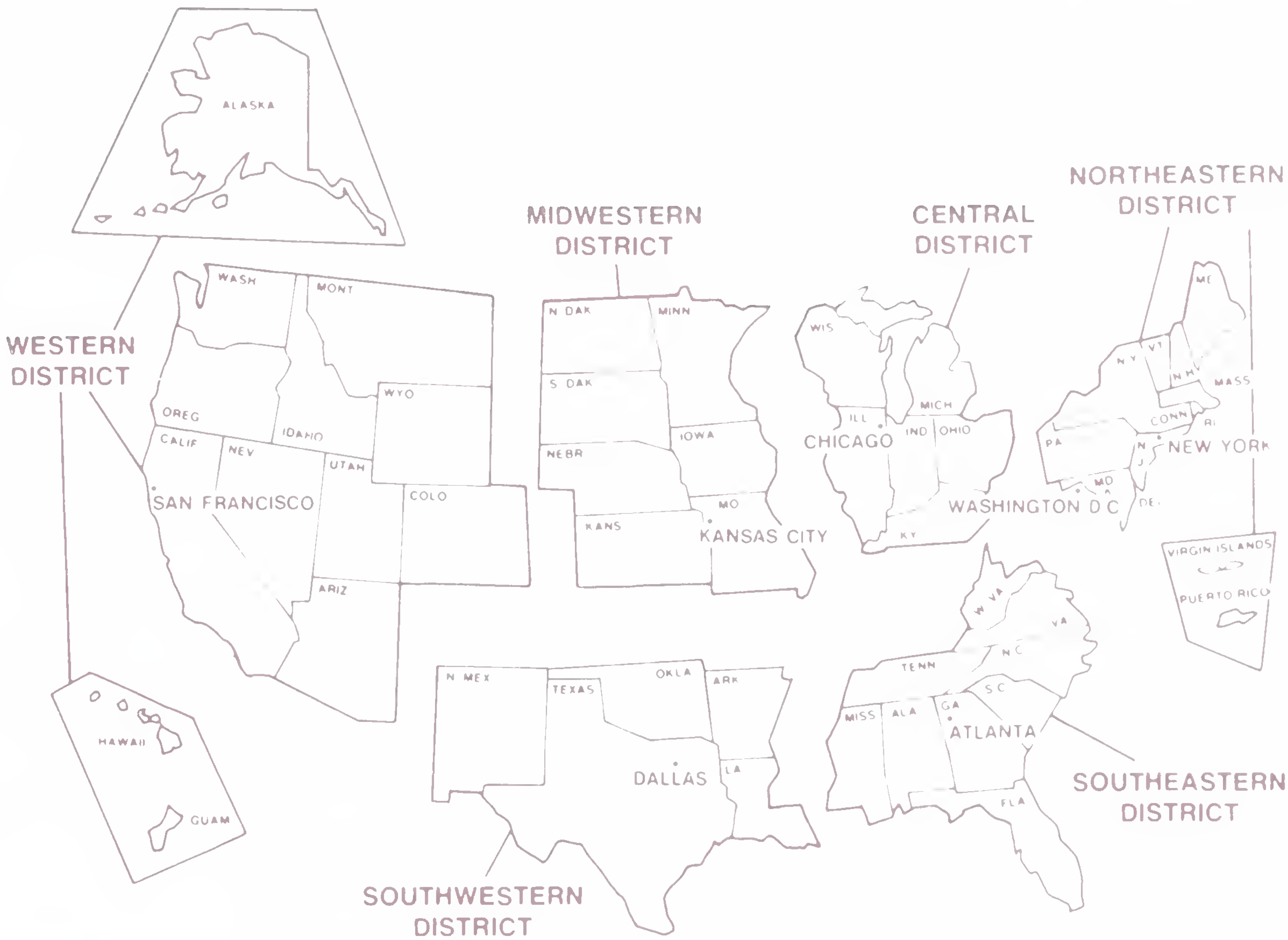

Northeastern District

New York District Office
1114 Avenue of the Americas
Suite 3900
New York, NY 10036

FTS	8-265-3495
Commercial	212-819-9860

Central District

Chicago District Office
One Financial Plaza
Suite 2700
440 South LaSalle Street
Chicago, IL 60605

FTS	8-364-8000
Commercial	312-663-8000

Southwestern District

Dallas District Office
1600 Lincoln Plaza
500 North Akard
Dallas, TX 75201-3394

Commercial	214-720-0656

Southeastern District

Atlanta District Office
Marquis One Tower
Suite 600
245 Peachtree Center Ave., N.E.
Atlanta, GA 30303

Commercial	404-659-8855

Midwestern District

Kansas City District Office
2345 Grand Avenue
Suite 700
Kansas City, MO 64108

Commercial	816-556-1800

Western District

San Francisco District Office
50 Fremont Street
Suite 3900
San Francisco, CA [illegible]

FTS	[illegible]
Commercial	[illegible]

Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219